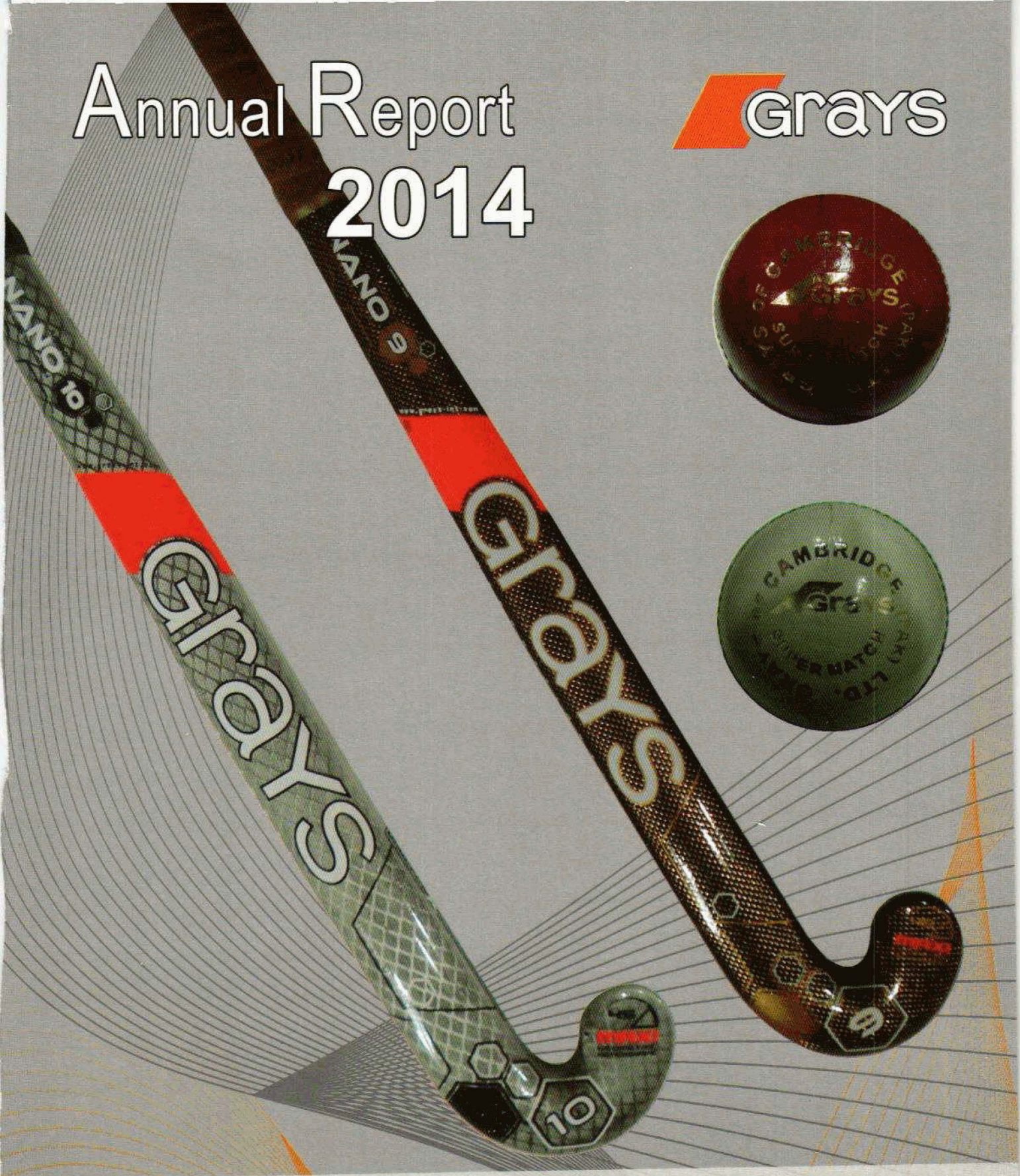
Annual Report 2014

Grays



GRAYS OF CAMBRIDGE (PAKISTAN) LIMITED

GRAYS OF CAMBRIDGE (PAKISTAN) LIMITED

ANNUAL REPORT 2014

بسم الله الرحمن الرحيم

CONTENTS

4	CORPORATE INFORMATION
7	NOTICE OF THE MEETING
8	COMPANY PROFILE
10	DIRECTORS' REPORT
13	DECADE AT A GLANCE
14	STATEMENT OF COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE
16	AUDITORS' REVIEW REPORT ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE
17	AUDITORS' REPORT
18	BALANCE SHEET
20	PROFIT AND LOSS ACCOUNT
21	STATEMENT OF COMPREHENSIVE INCOME
22	CASH FLOW STATEMENT
23	STATEMENT OF CHANGES IN EQUITY
24	NOTES TO THE FINANCIAL STATEMENTS
41	PATTERN OF SHAREHOLDINGS
	FORM OF PROXY

CORPORATE INFORMATION

BOARD OF DIRECTORS	Mr. Neil Douglas James Gray (Chairman) Mr. Khawar Anwar Khawaja (Chief Executive) Mr. Khurram Anwar Khawaja Mr. Muhammad Tahir Butt Mr. Paul Douglas Gray Mr. Ameer Khawar Khawaja Mr. Omer Khawar Khawaja Mr. Sarfraz Mahmood (Alternate to Mr. Neil Douglas James Gray) Mr. Fakir Syed Aijaz Uddin (Alternate to Mr. Paul Douglas Gray)
AUDIT COMMITTEE	Mr. Paul Douglas Gray Mr. Muhammad Tahir Butt Mr. Ameer Khawar Khawaja
HUMAN RESOURCE AND REMUNERATION COMMITTEE	Mr. Khurram Anwar Khawaja Mr. Khawar Anwar Khawaja Mr. Paul Douglas Gray
CORPORATE SECRETARY/CFO	Muhammad Ashraf Butt
HEAD OF INTERNAL AUDIT	Saeed Ahmad Shaheen
AUDITORS	HLB Ijaz Tabussum & Company Chartered Accountants S-8, Ahmed Arcade, 161-Ferozepur Road, Lahore. Phone: (042) 37503257 - 8 Fax: (042) 37503256 E-mail: matabussum@yahoo.com
REGISTERED OFFICE AND WORKS	Small Industries Estate, Sialkot 4, Pakistan Phone: (052) 3555338 3563051-52 Fax: (052) 3551252 3553609 E-mail: info@grayspak.com Website: www.grayspak.com
SHARE REGISTRARS	CorpTec Associates (Pvt) Ltd. 503-E, Johar Town, Lahore. Phone: (042) 35170336-7 Fax: (042) 35170338

ASSOCIATED COMPANIES

In Pakistan

Grays Leasing Limited
Head Office:
701-A, 7th Floor, City Towers
7K Gulberg II, Lahore
Tel: (042) 35770382-7
Fax: (042) 35770389
E-mail: gll@ms.net.pk

Liaison Offices:

Small Industries Estate,
Shahabpura Road, Sialkot
Tel: (052) 3554531
Fax: (052) 3551252
E-mail: grays@cyber.net.pk

15-A, Al Mubashar Apartment
Block – 13-C, Gulshan-e-Iqbal
Karachi
Tele: (021) 34293974
Fax: (021) 34965085

Anwar Khawaja Industries (Private) Limited
Small Industries Estate, Sialkot 51310
Tel: (052) 3551004, 3554531, 3554535
Fax: (052) 3553609

Overseas

Grays of Cambridge (International) Limited
Station Road, Robertsbridge
East Sussex TN32 5DH, ENGLAND
Tel: 01580 880357
Fax: 01580 881156

Gray - Nicolls
Station Road, Robertsbridge
East Sussex TN32 5DH, ENGLAND

Gray - Nicolls Sports Pty. Limited
45 Wangara Road
Cheltenham Victoria 3192
Australia
Tel: +61 3 8541 9999

VISION

GRAYS is the Internationals' First Choices; 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 Customer's Satisfaction. We also aim at a sustainable growth to ensure our company's prosperous future & healthy returns to all our stakeholders.

MISSION

To endeavour 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 51st annual general meeting of the members of **Grays of Cambridge (Pakistan) Limited** will be held at its registered office, Small Industries Estate, Sialkot on Thursday, the October 30, 2014 at 11:30 a.m. to transact the following business:

Ordinary Business:

1. To confirm the minutes of the last meeting.

2. To receive, consider and adopt audited accounts of the Company for the year ended June 30, 2014 together with the auditors' and directors' reports thereon.

3. To appoint auditors and fix their remuneration for the year ending June 30, 2015. The present auditor Messrs HLB Ijaz Tabassum & Company, Chartered Accountants, Lahore, being eligible, offer themselves for reappointment.

General Business:

4. To transact any other business with the permission of the Chair.

By Order of the Board

(Muhammad Ashraf Butt)
Company Secretary

Sialkot: October 04, 2014

Notes:

The share transfer books of the Company shall remain closed from October 23, 2014 to October 30, 2014 (both days inclusive). Transfers received in order at Company's share registrar office, CorpTec Associates (Pvt) Ltd., 503-E Johar Town, Lahore by the close of business on October 22, 2014 will be considered in time.

1. A member entitled to attend and vote at the annual general meeting is entitled to cast his / her vote by proxy. Proxies must be deposited at the Company's registered office not later than 48 hours before the time for holding the meeting.

2. Individual beneficial owners of CDC entitled to attend and vote at this meeting must bring his / her participant ID and account / sub-account number along with original CNIC or passport to authenticate his / her identity. In case of corporate entity, resolution of board of directors / power of attorney with specimen signature of nominees shall be produced (unless provided earlier) at the time of meeting.

3. For appointing proxies, the individual beneficial owners of CDC shall submit the proxy form as per above requirement along with participant ID and account / sub-account number together with attested copy of their CNIC or passport. The proxy form shall be witnessed by two witnesses with their names, addresses and CNIC numbers. The proxy shall produce his / her original CNIC or passport at the time of meeting. In case of corporate entity, resolution of the board of directors / power of attorney with the specimen signature shall be submitted (unless submitted earlier) along with the proxy form.

4. Members are requested to notify change in their address, if any, immediately.

COMPANY PROFILE

INDUSTRIAL PROFILE

Grays 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 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 more than hundred thousand 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 more than hundred 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 Anwar 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 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 over-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 shares has touched a 450 rupees price and is being quoted at rupees 55.58 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 over subscribed 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 was 225 thousand rupees in 1965 and 197 million rupees in 2014 in spite of high payouts.

YEAR	CASH DIVIDEND	BONUS SHARES
2005	150 Percent	-
2006	175 Percent	-
2007	175 Percent	-
2008	100 Percent	-
2009	25 Percent	350 Percent
2010	25 Percent	-
2011	10 Percent	-
2012	-	-
2013	-	-
2014	-	-

The Company has been declared as one of the Top 25 Companies by the Karachi Stock Exchange 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 to 2002 it has again been ranked among the Top 25 Companies.

GRAYS PAKISTAN, under the chairmanship of Mr. Neil Gray and Chief Executive Officer, Mr. Khawar Anwar Khawaja, has pledged itself to 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

It gives me great pleasure to present you the Annual Report for the year ended 30 June 2014 of the Grays of Cambridge (Pakistan) Limited along with the audited financial statements and the Auditors' Report thereon. The statement of compliance with best practices of Code of Corporate Governance and the Auditors' Report thereon are also given for your perusal.

NATIONAL ECONOMY

The financial year 2014 remained challenging for the Pakistan economy. Large scale manufacturing remained victim of power shortage and lower domestic demand. The domestic environment is still affected by the intensification of war on terror and volatile security situation while external environment is affected by uncertainties, financial crunch in European Union surrounding external inflows and high oil prices.

PERFORMANCE REVIEW

During the year under review the over all sales volume increased by 16.96% as compared with the previous year. Export sales of wooden hockey sticks and accessories have increased. In future we expect decline trend in the sale of wooden hockey sticks because of the introduction of composite sticks and is likely to continue especially in the top and medium end.

We kept on putting efforts for increasing our share in the composite sticks market and to make it possible we kept our focus on research and development which resulted in very good feedback from the customers and international players.

Company's overheads remained under pressure as a result of high inflation as well as rupee devaluation. Frequent increases in electricity tariffs and power shortage added substantially to our costs and in addition to that we have to use our own power generation where the cost is more than double of the government tariffs. Furthermore, due to unstable law and order situation in the country, security cost as well as insurance cost, have increased.

In order to increase our market share in an increasingly competitive environment, the Company has continued to invest heavily in its brands and their distribution. We believe that in the coming years, the Company will need to increase investment in distribution and promotion to withstand challenges surrounding the business environment.

The Company has continued to focus on reassessing the changing needs of the markets and investing in product quality and innovation. These changes along with inherent strength of its diverse product range have helped the Company to attain its overall growth.

Keeping in view the present market situation your directors express their satisfaction over the progress and show determination for gaining the position of one of the top supplier of sports goods in the world.

The financial results in a summarized form are given hereunder:

	Rupees 2014	Rupees 2013
Profit for the year after providing for administration, marketing and financial charges	16,614,364	5,459,460
Less : Workers' profit participation fund	(838,489)	(197,394)
Workers' welfare fund	-	-
Donations	(96,414)	(140,000)
	(934,903)	(337,394)
Profit before taxation	15,679,461	5,122,066
Less : Provision for taxation		
-Current	(2,255,873)	(2,579,468)
-Share of tax of associate	(148,273)	(91,996)
	(2,404,146)	(2,671,464)
Profit after taxation	13,275,315	2,450,602
Earnings per share	1.81	0.33

FUTURE OUTLOOK

Your Company has successfully developed a range of composite sticks and hopefully the sales will grow in this area in the years to come due to which we hope to increase our profitability. We are also further increasing our production capacity of composite sticks with induction of state of the art machinery, increase of skilled labour and work space in the next year.

DIVIDEND

Due to above mentioned conditions and financial results, the Board of Directors do not recommend any dividend for the year under review.

GRAYS LEASING LIMITED

Grays of Cambridge (Pakistan) Limited holds 37.21 percent of the paid up capital of Grays Leasing Limited. The shareholders' equity of this company as on 30 June 2014 is rupees 75.140 million as compared with rupees 75.927 million on June 30, 2013.

CODE OF CORPORATE GOVERNANCE

The requirements of the Code of Corporate Governance set out by the Karachi and Lahore Stock Exchanges in their Listing Regulations, relevant for the year ended June 30, 2014 have been adopted by the Company and have been duly complied with. A statement to this effect is annexed to the report.

MEETINGS OF BOARD OF DIRECTORS

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

Name of director	Attended
Mr. Neil Douglas James Gray	-
Mr. Sarfraz Mahmood (Alternate to Mr. Neil Douglas James Gray)	4
Mr. Khawar Anwar Khawaja	4
Mr. Khurram Anwar Khawaja	4
Mr. Muhammad Tahir Butt	4
Mr. Paul Douglas Gray	-
Mr. Ameer Khawar Khawaja	4
Mr. Omer Khawar Khawaja	4
Mr. Fakir Syed Aijaz Uddin (Alternate to Mr. Paul Douglas Gray)	1

Leaves of absence were granted to the Directors who could not attend the Board Meetings.

CORPORATE AND FINANCIAL REPORTING FRAME WORK

In compliance with 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 results of its operations, cash flows and changes in equity.
- Proper books of account of the Company have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- There are no significant doubts upon the Company's ability to continue as a going concern.
- There has been no material departure from the best practice of corporate governance as detailed in the listing regulation of the stock exchanges.

INFORMATION SYSTEM

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.

PERSONNEL AND 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 un-audited accounts is Rupees 13.162 million (2013: Rupees 12.095 million).

AUDITORS

The present auditors Messrs HLB Ijaz Tabussum & Company, Chartered Accountants, Lahore retire, and being eligible, have offered themselves for re-appointment. The Audit Committee has been recommended their re-appointment.

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

A statement of the pattern of shareholding of certain class of shareholders as at June 30, 2014 whose disclosure is required under the reporting framework, is included in the report.

The Directors, 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:

APPRECIATION

Before conclusion, I, on behalf of the Board of Directors, wish to place on record my very special thanks to all whose contributions helped us to achieve this performance.

ON BEHALF OF THE BOARD OF DIRECTORS

Sialkot: September 29, 2014

Khawar Anwar Khawaja
Chief Executive

DECADE AT A GLANCE

(Rupees in '000)

	June 30, 2014	June 30, 2013	June 30, 2012	June 30, 2011	June 30, 2010	June 30, 2009	June 30, 2008	June 30, 2007	June 30, 2006	June 30, 2005
INCOME										
Sales and revenues	229,679	198,855	186,727	180,742	137,195	107,950	137,751	142,783	136,774	117,987
Cost of sales	161,980	142,369	133,843	131,991	111,655	80,398	89,735	84,189	73,807	61,145
Operating and other costs	52,019	51,365	48,029	48,705	48,438	35,749	37,128	35,328	33,848	31,222
Taxes on income	2,404	2,671	2,656	3,116	(4,637)	(4,984)	2,770	5,693	8,386	7,539
Profit / (loss) after taxation	13,275	2,451	2,199	(3,070)	(18,261)	(3,213)	8,117	17,572	20,732	18,081
FINANCIAL POSITION										
Current assets	168,330	149,314	153,352	144,705	141,546	124,191	121,344	157,246	166,638	168,235
Less: Current liabilities	41,813	29,086	35,424	26,303	20,205	18,940	19,683	21,371	17,603	14,262
Net working capital	126,517	120,228	117,927	118,402	121,341	105,251	101,660	135,876	149,035	153,973
Fixed assets and long term deposits	70,696	63,598	63,339	68,008	86,545	117,943	146,627	132,757	130,653	129,380
Shareholders' equity	197,213	183,826	181,266	186,410	201,181	223,194	248,287	268,632	279,688	283,353
STATISTICS AND RATIOS										
Bonus shares (percentage)	-	-	-	-	-	350.00	-	-	-	-
Dividend "	-	-	-	10.00	25.00	25.00	100.00	175.00	175.00	150.00
Profit/(loss) on shareholders' equity "	7.95	2.79	2.68	0.02	(11.38)	(3.67)	4.39	8.66	10.41	9.04
Profit/(loss) before tax to sales "	6.84	2.61	2.61	0.02	(12.71)	(6.09)	7.86	17.91	24.38	25.48
Current ratio	4.03 :1	5.13 :1	4.33 :1	5.5:1	7.01 :1	6.56 :1	6.16 :1	7.36 :1	9.47 :1	11.8 :1

Grays of Cambridge (Pakistan) Limited
Statement of Compliance With The
Code of Corporate Governance (COCG 2014)
[See clause (xl)]

Name of company: Grays of Cambridge (Pakistan) Limited

Year ending: June 30, 2014.

This statement is being presented to comply with the Code of Corporate Governance 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 COCG 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
Executive Directors	Mr. Khawar Anwar Khawaja Mr. Muhammad Tahir Butt Mr. Ameer Khawar Khawaja
Non Executive Directors	Mr. Khurram Anwar Khawaja Mr. Neil Douglas James Gray Mr. Omer Khawar Khawaja Mr. Pual Douglas Gray Mr. Sarfraz Mahmood Mr. Fakir Syed Aijaz Uddin

   The requirement of Executive Directors in composition of Board under COCG 2012 will be fulfilled at the time of next election of directors.

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company (excluding the listed subsidiaries of listed holding companies where applicable).

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 NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.

4. 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.

5. 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.

6. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the board / shareholders.

7. 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.

8. **Orientation Course:**

All the directors on the Board are fully conversant with their duties and responsibilities as directors of corporate bodies. The directors were apprised of their duties and responsibilities through orientation courses.

Directors' Training Programs:

i) Four Directors of the Company are exempt due to 14 years of education and 15 years of experience on the board of a listed company.
ii) One director Mr. Tahir Butt has completed the directors' training program from the institute of University of Lahore.

9. The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment.

10. The directors' report for this year has been prepared in compliance with the requirements of the COCG 2012 and fully describes the salient matters required to be disclosed.

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

12. 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.

13. The Company has complied with all the corporate and financial reporting requirements of the COCG 2012.

14. The Board has formed an Audit Committee. It comprises of 3 members, of whom 1 are non-executive directors and the chairman of the committee is not an independent director and will be changed on next election date to bring the composition of audit committee in line with the requirements of COCG 2012.

15. The meetings of the audit committee were held at least once every quarter for the review of interim and final results prior to the approval by the Board of Directors. The terms of reference of the committee have been approved by the Board and advised to the committee for compliance.

16. The Board has formed a Human Resource and Remuneration (HR&R) Committee. It comprises of 3 members, of whom 2 are non-executive directors and the chairman of the committee is a Non Executive director.

17. The Board has set up an effective internal audit function who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company and they are involved in the internal audit function on full time basis.

18. 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.

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

20. 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).

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

22. We confirm that all other material requirements of the COCG 2012 have been complied with.

KHAWAR ANWAR KHAWAJA
CHIEF EXECUTIVE
CNIC Number: 34603-6697631-7

HLB IJAZ TABUSSUM & CO.

CHARTERED ACCOUNTANTS

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

Tel: 92-42-7567667-7587323-7569904
Fax: 92-42-7580098-7575510
E-mail: mafabussum@hotmail.com

Other Offices:
Islamabad - Karachi
Gujranwala - Peshawar

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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of GRAYS OF CAMBRIDGE (PAKISTAN) LIMITED ("the Company") for the year ended 30, June 2014, to comply with the Listing Regulations of the respective Stock Exchanges , where the Company is listed.

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

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

Further, Listing Regulations of the Karachi and Lahore Stock Exchanges requires the company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price, recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the Audit Committee. We are only required and have ensured compliance of requirement to the extent of Approval of related party transactions by the Board of Directors and placement of such transactions before the Audit Committee. We have not carried out any procedure to determine whether the related party transactions were taken at arms' length price or not.

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's Compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended June 30, 2014.

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

Dated: September 29, 2014
Lahore.

HLB IJAZ TABUSSUM & CO.

CHARTERED ACCOUNTANTS

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

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Fax: 92-42-7580098-7575510
E-mail: matabussum@hotmail.com

Other Offices:
Islamabad - Karachi
Gujranwala - Peshawar

Auditors' Report to the Members

We have audited the annexed balance sheet of **M/S GRAYS OF CAMBRIDGE (PAKISTAN) LIMITED** as at June 30, 2014 and the related Profit and Loss account, statement of comprehensive income, statement of cash flows and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit.

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

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

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

(b) In our opinion,

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

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

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

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, statement of cash flows and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan and give information required by Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at June 30, 2014 and of the profit, its comprehensive income, its cash flows and the changes in equity for the year then ended; and

(d) In our opinion, no zakat was deductible at source under the Zakat and Usher Ordinance, 1980.

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

Dated: September 29, 2014
Place: Lahore

BALANCE SHEET AS AT 30 JUNE 2014

EQUITY AND LIABILITIES	NOTE	2014 Rupees	2013 Rupees
SHARE CAPITAL AND RESERVES			
Authorized share capital			
10,000,000 (2013: 10,000,000) ordinary shares of Rupees 10 each		100,000,000	100,000,000
Issued, subscribed and paid up share capital	3	73,493,410	73,493,410
Reserves		124,042,328	110,333,047
Total equity		197,535,738	183,826,457
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	4	39,557,139	26,516,185
Provision for taxation		2,255,873	2,570,058
Total liabilities		41,813,012	29,086,243
CONTINGENCIES AND COMMITMENTS	5		
TOTAL EQUITY AND LIABILITIES		239,348,750	212,912,700

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

KHAWAR ANWAR KHAWAJA
CHIEF EXECUTIVE

ASSETS	NOTE	2014 Rupees	2013 Rupees
NON-CURRENT ASSETS			
Property, plant and equipment	6	42,093,546	34,687,877
Long term investments	7	28,302,048	28,268,184
Long term placement	8	-	-
Long term deposits		623,207	642,326
		71,018,801	63,598,387
CURRENT ASSETS			
Stores and spare parts	9	1,512,419	2,001,202
Stock in trade	10	101,278,533	101,430,109
Trade debts	11	27,004,079	9,142,932
Current portion of long term placement	8	-	500,000
Advances	12	14,994,021	16,499,046
Trade deposits and short term prepayments	13	230,730	374,423
Other receivables	14	12,774,756	7,353,854
Cash and bank balances	15	10,535,411	12,012,747
		168,329,949	149,314,313
TOTAL ASSETS		239,348,750	212,912,700

MUHAMMAD TAHIR BUTT
DIRECTOR

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE 2014

	NOTE	2014 Rupees	2013 Rupees
SALES	16	229,163,188	195,924,740
COST OF SALES	17	(161,980,239)	(142,368,863)
GROSS PROFIT		67,182,949	53,555,877
DISTRIBUTION COST	18	(23,896,626)	(25,218,251)
ADMINISTRATIVE EXPENSES	19	(25,757,941)	(23,666,593)
OTHER EXPENSES	20	(1,748,237)	(1,866,986)
		(51,402,804)	(50,751,830)
		15,780,145	2,804,047
OTHER INCOME	21	767,155	1,559,184
PROFIT FROM OPERATIONS		16,547,300	4,363,231
FINANCE COST	22	(616,010)	(612,740)
		15,931,290	3,750,491
SHARE OF (LOSS) / PROFIT FROM ASSOCIATED COMPANY	7.1	(251,829)	1,371,575
PROFIT BEFORE TAXATION		15,679,461	5,122,066
TAXATION			
-Current	23	(2,255,873)	(2,579,468)
-Share of tax of associated company	7.1	(148,273)	(91,996)
		(2,404,146)	(2,671,464)
PROFIT AFTER TAXATION		13,275,315	2,450,602
EARNINGS PER SHARE - BASIC AND DILUTED	24	1.81	0.33

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

KHAWAR ANWAR KHAWAJA
CHIEF EXECUTIVE

MUHAMMAD TAHIR BUTT
DIRECTOR

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2014

	2014 Rupees	2013 Rupees
PROFIT AFTER TAXATION	13,275,315	2,450,602
OTHER COMPREHENSIVE INCOME		
Items that will not be reclassified to profit or loss		
Share of other comprehensive income of associated company	322,381	-
Items that may be reclassified subsequently to profit or loss:		
Surplus arising on re-measurement of available for sale investment	111,585	109,540
Other comprehensive income for the year	433,966	109,540
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	13,709,281	2,560,142

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

KHAWAR ANWAR KHAWAJA
CHIEF EXECUTIVE

MUHAMMAD TAHIR BUTT
DIRECTOR

CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2014

	NOTE	2014 Rupees	2013 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from / (utilized in) operations	25	12,223,749	(1,568,247)
Finance cost paid		(616,010)	(612,740)
Income tax paid		(3,178,073)	(2,814,272)
Net decrease in long term deposits		19,119	-
Net cash generated from / (utilized in) operating activities		8,448,785	(4,995,259)
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure on property, plant and equipment		(13,267,695)	(3,657,547)
Proceeds from disposal of property, plant and equipment		2,151,390	1,380,000
Net decrease in long term placement		500,000	1,500,000
Profit received on placement and deposit accounts		733,997	1,036,830
Dividend income		11,550	9,240
Net cash (used in) / from investing activities		(9,870,758)	268,523
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		(55,363)	-
Net cash used in financing activities		(55,363)	-
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		(1,477,336)	(4,726,736)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		12,012,747	16,739,483
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		10,535,411	12,012,747

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

KHAWAR ANWAR KHAWAJA
CHIEF EXECUTIVE

MUHAMMAD TAHIR BUTT
DIRECTOR

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

	SHARE CAPITAL	RESERVES							TOTAL EQUITY
		CAPITAL			REVENUE			TOTAL RESERVES	
		Capital reserve	Fair value reserve	Sub total	General reserve	Unappropriated profit	Sub total		
	(Rupees)								
Balance as at 30 June 2012	73,493,410	1,000,000	111,118	1,111,118	104,455,492	2,206,295	106,661,787	107,772,905	181,266,315
Profit for the year	-	-	-	-	-	2,450,602	2,450,602	2,450,602	2,450,602
Other comprehensive income for the year	-	-	109,540	109,540	-	-	-	109,540	109,540
Total comprehensive income for the year	-	-	109,540	109,540	-	2,450,602	2,450,602	2,560,142	2,560,142
Balance as at 30 June 2013	73,493,410	1,000,000	220,658	1,220,658	104,455,492	4,656,897	109,112,389	110,333,047	183,826,457
Profit for the year	-	-	-	-	-	13,275,315	13,275,315	13,275,315	13,275,315
Other comprehensive income for the year	-	-	111,585	111,585	-	322,381	322,381	433,966	433,966
Total comprehensive income for the year	-	-	111,585	111,585	-	13,597,696	13,597,696	13,709,281	13,709,281
Balance as at 30 June 2014	73,493,410	1,000,000	332,243	1,332,243	104,455,492	18,254,593	122,710,085	124,042,328	197,535,738

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

KHAWAR ANWAR KHAWAJA
CHIEF EXECUTIVE

MUHAMMAD TAHIR BUTT
DIRECTOR

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

1. THE COMPANY AND ITS OPERATIONS

Grays of Cambridge (Pakistan) Limited ("the Company") was incorporated in Pakistan on 02 June 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. The registered office of the Company is situated at Small Industries Estate, Sialkot. The Company is engaged in manufacturing and sale of hockey sticks, cricket ball and other quality sports goods.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

a) Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

b) Accounting convention

These financial statements have been prepared under the historical cost convention except for the certain financial instruments carried at fair value.

c) Critical accounting estimates and judgments

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

Useful lives, patterns of economic benefits and impairments

Estimates with respect to residual values and useful lives and pattern of flow of economic benefits are based on the analysis of the management of the Company. Further, the Company reviews the value of assets for possible impairment on an annual basis. Any change in the estimates in the future might affect the carrying amount of respective item of property, plant and equipment, with a corresponding effect on the depreciation charge and impairment.

Inventories

Net realizable value of inventories is determined with reference to currently prevailing selling prices less estimated expenditure to make sales.

Taxation

In making the estimates for income tax currently payable by the Company, the management takes into account the current income tax law and the decisions of appellate authorities on certain issues in the past.

Provision for doubtful debts

The Company reviews its receivable against any provision required for any doubtful balances on an ongoing basis. The provision is made while taking into consideration expected recoveries, if any.

Impairment of investment in an associated company

In making an estimate of recoverable amount of the Company's investment in associated company, the management considers future cash flows and an estimate of the terminal value of this investment.

d) Amendments to published approved standards 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 2013:

IFRS 7 (Amendment) 'Financial Instruments: Disclosures' (effective for annual periods beginning on or after 01 January 2013). The International Accounting Standards Board (IASB) has amended the accounting requirements and disclosures related to offsetting of financial assets and financial liabilities by issuing amendments to IAS 32 'Financial Instruments: Presentation' and IFRS 7. These amendments are the result of IASB and US Financial Accounting Standard Board undertaking a joint project to address the differences in their respective accounting standards regarding offsetting of financial instruments. The application of the amendments does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

On 17 May 2012, IASB issued Annual Improvements to IFRS: 2009 – 2011 Cycle, incorporating amendments to five IFRS more specifically in IAS 1 'Presentation of Financial Statements' and IAS 32 'Financial instruments: Presentation' that are considered relevant to the Company's financial statements. These amendments are effective for annual periods beginning on or after 01 January 2013. The application of the amendments does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

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

There are other amendments to the published approved standards that are mandatory for accounting periods beginning on or after 01 July 2013 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 approved 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 2014 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 10 'Consolidated Financial Statements' (effective for annual periods beginning on or after 01 January 2015). Concurrent with the issuance of IFRS 10, the IASB has also issued IFRS 11 'Joint Arrangements', IFRS 12 'Disclosure of Interests in Other Entities', IAS 27 (revised 2011) 'Consolidated and Separate Financial Statements' and IAS 28 (revised 2011) 'Investments in Associates'. The objective of IFRS 10 is to have a single basis for consolidation for all entities, regardless of the nature of the investee, and that basis is control. The definition of control includes three elements: power over an investee, exposure or rights to variable returns of the investee and the ability to use power over the investee to affect the investor's returns. IFRS 10 replaces those parts of IAS 27 'Consolidated and Separate Financial Statements' that address when and how an investor should prepare consolidated financial statements and replaces Standing Interpretations Committee (SIC) 12 'Consolidation – Special Purpose Entities' in its entirety. The management of the Company is in the process of evaluating the impacts of the aforesaid standard on the Company's financial statements.

Amendments to IFRS 10, IFRS 11 and IFRS 12 (effective for annual periods beginning on or after 01 January 2015) provide additional transition relief in by limiting the requirement to provide adjusted comparative information to only the preceding comparative period. Also, amendments to IFRS 12 eliminate the requirement to provide comparative information for periods prior to the immediately preceding period.

IFRS 12 'Disclosures of Interests in Other Entities' (effective for annual periods beginning on or after 01 January 2015). This standard includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off-balance sheet vehicles. This standard is not expected to have a material impact 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.

IFRS 15 'Revenue from Contracts with Customers' (effective for annual periods beginning on or after 01 January 2017). IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers. The five steps in the model are: identify the contract with the customer; identify the performance obligations in the contract; determine the transaction price; allocate the transaction price to the performance obligations in the contracts; and recognize revenue when (or as) the entity satisfies a performance obligation. Guidance is provided on topics such as the point in which revenue is recognized, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced. The management of the Company is in the process of evaluating the impacts of the aforesaid standard 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.**

IAS 32 (Amendments) 'Financial Instruments: Presentation' **(effective for annual periods beginning on or after 01 January 2014). Amendments have been made to** clarify certain aspects because of diversity in application of the requirements on offsetting, focused on four main areas: the meaning of 'currently has a legally enforceable right of set-off'; the application of simultaneous realization and settlement; the offsetting of collateral amounts and the unit of account for applying the offsetting requirements **However, the amendments are not expected to have a material impact on the Company's financial statements.**

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. However, the amendments are not expected to have a material impact on the Company's financial statements.

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. These amendments are unlikely to have a significant impact on the Company's financial statements and have therefore not been analyzed in detail.

On 12 December 2013, IASB issued Annual Improvements to IFRSs: 2011 – 2013 Cycle, incorporating amendments to four IFRSs more specifically in IFRS 13 'Fair Value Measurement', that is considered relevant to the Company's financial statements. These amendments are effective for annual periods beginning on or after 01 July 2014. These amendments are unlikely to have a significant impact on the Company's financial statements and have therefore not been analyzed in detail.

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. **However, the interpretation is not expected to have a material impact on the Company's financial statements.**

g) Standards, interpretations and amendments to published approved standards that are not yet effective and not considered relevant to the Company

There are other standards, amendments to published approved standards and new interpretations 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.

2.2 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.

2.3 Taxation

Current

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

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 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 utilized.

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 profit and loss account, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case the tax is also recognized in other comprehensive income or directly in equity, respectively.

However, provision for the deferred income tax is not considered necessary as the company is chargeable to tax under section 169 of the Income Tax Ordinance, 2001 and no temporary differences are expected to arise in the foreseeable future.

2.4 Provisions

Provisions are recognized when the Company has a legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations and a reliable estimate of the amount can be made.

2.5 Property, plant, equipment and depreciation

Owned

These are stated at cost less accumulated depreciation and any identified impairment loss except freehold land and capital work-in-progress which are stated at cost less any identified impairment loss. Cost of property, plant and equipment consists of historical cost and other directly attributable costs of bringing the assets to working condition.

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 benefit associated with the item will flow to the company and 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.

Leased

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

Depreciation

Depreciation is charged to income applying the reducing balance method so as to write off the cost / depreciable amount of property, plant and equipment over their expected useful lives. Depreciation on additions is charged from the day on which the assets are available for use and on deletions up to the day on which the assets are disposed off. The residual values and useful lives are reviewed by the management, at each financial year end and adjusted if impact on depreciation is significant.

De-recognition

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and carrying value of the asset) is included in the income statement in the year the asset is derecognized.

2.6 Investments

The Company assess at the end of each reporting period whether there is any objective evidence that investments are impaired. If any such evidence exist, the Company applies the provisions of IAS 39 'Financial Instruments: Recognition and Measurement' to all investments, except investment in associate, which is tested for impairment in accordance with the provisions of IAS 36 'Impairment of Assets'.

Equity investment in associated company

Investment in associate is valued using equity method in accordance with the IAS 28 "Investments in Associates".

Other investments

The other investments made by the Company are classified for the purpose of measurement in to the following categories:

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 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 income when the investments are derecognized or impaired, as well as through the amortization process.

Investment at fair value through profit or loss

Investments classified as held-for-trading and those designated as such are included in this category. Investments are classified as held-for-trading if they 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.

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. After initial recognition, investments which are classified as available-for-sale are measured at fair value. Gains or losses on available-for-sale investments are recognized directly in statement of other comprehensive income until the investment is sold, de-recognized or is determined to be impaired, at which time the cumulative gain or loss previously reported in statement of other comprehensive income is included in profit and loss account. For investments that are actively traded in organized capital markets, fair value is determined by reference to stock exchange quoted market bids at the close of business on the balance sheet date.

2.7 Inventories

Inventories, except for stock in transit and waste stock are stated at lower of cost and net realizable value. Cost is determined as follows:

Stores and spare parts

Useable stores and spare parts are valued principally at moving average cost, while items considered obsolete are carried at nil value. Items in transit are valued at cost comprising invoice value plus other charges paid thereon.

Stock-in-trade

Cost of raw material is based on moving average cost.

Cost of work-in-process and finished goods comprise cost of direct material, labour and appropriate manufacturing overheads.

Materials in transit are stated at cost comprising invoice values plus other charges paid thereon. Waste stock is valued at net realizable value.

Net realizable value signifies the estimated selling price in the ordinary course of business less the estimated costs of completion and the costs necessary to make a sale.

2.8 Trade debts and other receivables

Trade debts and other receivables are carried at original invoice value less an estimate made for doubtful debts based on a review of all outstanding amounts at the year end. Bad debts are written off when identified.

2.9 Trade and other payables

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

2.10 Foreign currency transactions

These financial statements are presented in Pak Rupees, which is the Company's functional currency. All monetary assets and liabilities denominated in foreign currencies are translated into Pak Rupees at the rates of exchange prevailing at the balance sheet date, while the transactions in foreign currencies during the year are initially recorded in functional currency at the rates of exchange prevailing at the transaction date. All non-monetary items are translated into Pak Rupees at exchange rates prevailing on the date of transaction or on the date when fair values are determined. Exchange gains and losses are recorded in the profit and loss account.

2.11 Financial instruments

Financial instruments carried on the balance sheet include investment, deposits, trade debts, other receivables, cash and bank balances and trade and other payables. Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Initial recognition is made at fair value plus transaction costs directly attributable to acquisition, except for 'financial instruments at fair value through profit or loss' which are initially measured at fair value.

The particular measurement methods adopted are disclosed in the following individual policy statements associated with each item. Financial assets are derecognized when the Company loses control of the contractual rights that comprise the financial assets. 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 derecognized 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 and loss account currently.

Financial assets and liabilities are offset and the net amount is reported in the financial statements when the Company has a legally enforceable right to offset and the Company intends either to settle on a net basis or to realize the assets and settle the liabilities simultaneously.

2.12 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at book value which approximates their fair value. For the purposes of the cash flow statement, cash equivalents comprise cash in hand, cash at banks and other short term highly liquid instruments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in values.

2.13 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.

2.14 Revenue recognition

Revenue from sales is recognized on dispatch 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 when the Company's right to receive such dividend has been established.

2.15 Dividend and other appropriations

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

2.16 Share capital

Ordinary shares are classified as equity.

3. ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL

2014	2013		2014 Rupees	2013 Rupees
Number of shares				
204,700	204,700	Ordinary shares of Rupees 10 each fully paid up in cash	2,047,000	2,047,000
4,400	4,400	Ordinary shares of Rupees 10 each fully paid up for consideration other than cash	44,000	44,000
7,140,241	7,140,241	Ordinary shares of Rupees 10 each issued as fully paid bonus shares	71,402,410	71,402,410
7,349,341	7,349,341		73,493,410	73,493,410

3.1 Grays of Cambridge (International) Limited, England and Anwar Khawaja Industries (Private) Limited, Sialkot, associated undertakings held 2,939,979 (2013: 2,939,979) and 367,492 (2013: 367,492) ordinary shares of Rupees 10 each respectively.

4. TRADE AND OTHER PAYABLES

	NOTE	2014 Rupees	2013 Rupees
Trade creditors	4.1	11,195,292	6,835,718
Advances from customers		269,248	1,814,741
Due to directors		1,186,934	972,898
Commission payable		14,469,316	5,911,450
Payable to employees' provident fund trust		262,906	225,293
Unclaimed dividend		807,615	862,978
Workers' welfare fund		26,885	26,885
Workers' profit participation fund	4.2	831,434	190,339
Accrued liabilities		10,507,509	9,675,883
		39,557,139	26,516,185

4.1 These include an amount of Rupees 5.920 million (2013: Rupees nil) due to Anwar Khawaja Composites - related party.

4.2 Workers' profit participation fund

Balance at the beginning of the year		190,339	287,215
Allocation for the year	20	838,489	197,394
		1,028,828	484,609
Less : Payments to the fund during the year		197,394	294,270
		831,434	190,339

5. CONTINGENCIES AND COMMITMENTS

Commitments	Nil	Nil

Contingencies:

i) Post dated cheques issued to the Custom Authorities amounting to Rupees 0.86 million (2013: Rupees 7.232 million).

6. PROPERTY, PLANT AND EQUIPMENT

Operating fixed assets	6.1	40,396,546	34,267,177
Capital work-in-progress	6.2	1,697,000	420,700
		42,093,546	34,687,877

6.1 Operating fixed assets

	Freehold Land	Leasehold Land	Factory Building on Freehold Land	Plant and Machinery	Office Equipment	Tools and Equipment	Electric Installations	Furniture and Fixtures	Vehicles	Computers	Security Arms	TOTAL
	---Rupees---											
As at 30 June 2012												
Cost	5,371,287	164,219	25,453,916	18,211,378	972,295	8,817,445	4,474,993	3,089,525	8,058,025	2,926,951	22,800	77,562,834
Accumulated depreciation	-	(34,833)	(17,540,606)	(8,782,819)	(700,922)	(3,735,826)	(3,975,527)	(1,757,453)	(4,044,307)	(2,446,377)	(19,086)	(43,037,756)
Net book value	5,371,287	129,386	7,913,310	9,428,559	271,373	5,081,619	499,466	1,332,072	4,013,718	480,574	3,714	34,525,078
Year ended 30 June 2013												
Opening net book value	5,371,287	129,386	7,913,310	9,428,559	271,373	5,081,619	499,466	1,332,072	4,013,718	480,574	3,714	34,525,078
Additions	-	-	-	692,100	-	225,952	110,350	-	3,391,727	109,100	-	4,529,229
Disposals:												
Cost	-	-	-	-	-	-	-	-	(1,797,900)	-	-	(1,797,900)
Accumulated depreciation	-	-	-	-	-	-	-	-	953,663	-	-	953,663
	-	-	-	-	-	-	-	-	(844,237)	-	-	(844,237)
Depreciation charge	-	(2,488)	(791,329)	(925,407)	(24,220)	(489,640)	(173,571)	(124,141)	(1,180,025)	(231,770)	(302)	(3,942,893)
Closing net book value	5,371,287	126,898	7,121,981	9,195,252	247,153	4,817,931	436,245	1,207,931	5,381,183	357,904	3,412	34,267,177
As at 30 June 2013												
Cost	5,371,287	164,219	25,453,916	18,903,478	972,295	9,043,397	4,585,343	3,089,525	9,651,852	3,036,051	22,800	80,294,163
Accumulated depreciation	-	(37,321)	(18,331,935)	(9,708,226)	(725,142)	(4,225,466)	(4,149,098)	(1,881,594)	(4,270,669)	(2,678,147)	(19,388)	(46,026,986)
Net book value	5,371,287	126,898	7,121,981	9,195,252	247,153	4,817,931	436,245	1,207,931	5,381,183	357,904	3,412	34,267,177
Year ended 30 June2014												
Opening net book value	5,371,287	126,898	7,121,981	9,195,252	247,153	4,817,931	436,245	1,207,931	5,381,183	357,904	3,412	34,267,177
Additions	-	-	375,465	361,300	-	-	2,329,800	-	8,796,530	128,300	-	11,991,395
Disposals:												
Cost	-	-	-	-	-	-	-	-	(5,913,545)	(130,800)	-	(6,044,345)
Accumulated depreciation	-	-	-	-	-	-	-	-	3,836,692	122,308	-	3,959,000
	-	-	-	-	-	-	-	-	(2,076,853)	(8,492)	-	(2,085,345)
Depreciation charge	-	(2,488)	(729,818)	(888,798)	(21,798)	(454,784)	(146,014)	(111,713)	(1,260,530)	(160,465)	(273)	(3,776,681)
Closing net book value	5,371,287	124,410	6,767,628	8,667,754	225,355	4,363,147	2,620,031	1,096,218	10,840,330	317,247	3,139	40,396,546
As at 30 June 2014												
Cost	5,371,287	164,219	25,829,381	19,264,778	972,295	9,043,397	6,915,143	3,089,525	12,534,837	3,033,551	22,800	86,241,213
Accumulated depreciation	-	(39,809)	(19,061,753)	(10,597,024)	(746,940)	(4,680,250)	(4,295,112)	(1,993,307)	(1,694,507)	(2,716,304)	(19,661)	(45,844,667)
Net book value	5,371,287	124,410	6,767,628	8,667,754	225,355	4,363,147	2,620,031	1,096,218	10,840,330	317,247	3,139	40,396,546
Annual rate of depreciation %	-	1.52	10	10	10	10	40	10	20	50	10	

6.1.1 The depreciation charge for the year has been allocated as follows:

	2014	2013
	Rupees	Rupees
Cost of sales (Note 17)	2,385,771	2,535,925
Administrative expenses (Note 19)	1,390,910	1,406,968
	3,776,681	3,942,893

6.1.2 Detail of operating fixed assets, exceeding the book value of Rupees 50,000, disposed of during the year is as follows:

	QUANTITY	COST	ACCUMULATED DEPRECIATION	NET BOOK VALUE	SALE PROCEEDS	GAIN	MODE OF DISPOSAL	PARTICULARS OF PURCHASER
		---Rupees---						
Vehicles								
Honda City LEB-09-4900	1	1,369,545	872,876	496,669	545,000	48,331	Negotiation	Mr. Shahid Nazir, Lahore
Toyota Mark-X STA-07-3000	1	2,644,000	1,960,768	683,232	700,000	16,768	Negotiation	Mr. Arslan Khalid, Daska
Honda Civic STA-09-1173	1	1,800,000	930,360	869,640	869,640	-	Negotiation	Miss Sarah Zahid Hameed, Sialkot
Aggregate of items with individual book values not exceeding Rupees 50,000.	13	230,800	194,996	35,804	36,750	946	Negotiation	
		6,044,345	3,959,000	2,085,345	2,151,390	66,045		

		NOTE	2014 Rupees	2013 Rupees
6.2	**Capital work-in-progress**			
	Advance against purchase of :			
	Tools and equipment		80,000	303,200
	Plant and machinery		1,617,000	117,500
			1,697,000	420,700
7.	**LONG TERM INVESTMENTS**			
	Under equity method	7.1	27,959,590	28,037,311
	Available for sale	7.2	342,458	230,873
			28,302,048	28,268,184

7.1 Under equity method

Grays Leasing Limited - associated company
7,999,999 (2013: 7,999,999) ordinary shares of Rupees 10 each
equity held 37.21% (2013: 37.21%)

Share in net assets at the beginning of the year	28,037,311	26,757,732
Add: Share in (loss) / profit before taxation	(251,829)	1,371,575
Share in taxation	(148,273)	(91,996)
Share in other comprehensive income	322,381	-
	(77,721)	1,279,579
Share in net assets at the end of the year	27,959,590	28,037,311

7.1.1 Summarized financial information of associated company

(Rupees in thousand)

Name of associated company	Assets	Liabilities	Net assets	Revenue	Profit / (loss) for the year
2014					
Grays Leasing Limited	223,833	148,693	75,140	10,245	(1,075)
2013					
Grays Leasing Limited	214,753	138,826	75,927	9,206	3,325

7.1.2 Investments in associated company has been tested for impairment under IAS 36 'Impairment of Assets'. The financial statements of the investee company have not been prepared on going concern basis. Break up value per share of the investee company comes to Rupees 3.49 as on 30 June 2014 based on historical cost convention (2013: Rupees 3.50). Whereas, value per share is Rupees 7.29 (2013: Rupees 7.47) on the basis of estimated realizable (settlement) values of assets and liabilities respectively of the investee company. The reason for difference in value per share calculated on the basis of two different accounting conventions is the fact that potential lease losses against finance lease receivables are recognized under historical cost convention on the basis of time based criteria prescribed by Securities and Exchange Commission of Pakistan. Whereas, under the other accounting convention, potential lease losses against finance lease receivables are recognized by the investee company based on estimated realizable value of the lease portfolio. The management believes that the recoverable amount of investment in equity method accounted for associated company is higher than its carrying value and resultantly no impairment loss has been incorporated in these financial statements.

		NOTE	2014 Rupees	2013 Rupees
7.2	**Available for sale**			
	Sitara Chemical Industries Limited			
	1,155 (2013: 1,155) ordinary shares of Rupees 10 each		10,215	10,215
	Add: Fair value adjustment	7.2.1	332,243	220,658
			342,458	230,873
7.2.1	**Fair value adjustment**			
	Opening balance		220,658	111,118
	Surplus on re-measurement of available for sale investment		111,585	109,540
			332,243	220,658

		NOTE	2014 Rupees	2013 Rupees
8.	**LONG TERM PLACEMENT**			
	KASB Bank Limited		-	500,000
	Less: Current portion shown under current assets		-	500,000
			-	-

8.1 It represented placement with KASB Bank Limited.Repayment was made in 20 equal quarterly installments commenced from September 2008. It carried mark-up @ 1.50% (2013: 1.50%) per annum.

9.	**STORES AND SPARE PARTS**			
	Stores		860,819	1,220,291
	Spares		651,600	780,911
			1,512,419	2,001,202
10.	**STOCK IN TRADE**			
	Raw materials		25,206,477	28,020,399
	Work-in-process		60,382,355	60,392,451
	Finished goods		15,689,701	13,017,259
			101,278,533	101,430,109
11.	**TRADE DEBTS**			
	Considered good			
	Related parties			
	Unsecured (Note 11.1 and Note 11.2)		23,940,961	7,355,492
	Others			
	Unsecured	11.3	3,063,118	1,787,440
			27,004,079	9,142,932
11.1	**Related parties**			
	Gray Nicolls, England		18,116,531	3,709,274
	Gray Nicolls, Australia		5,823,941	2,975,031
	Anwar Khawaja Industries (Private) Limited		489	671,187
			23,940,961	7,355,492

11.2 As at 30 June 2014, trade debts due from related parties amounting to Rupees 23.941 million (2013: Rupees 6.684 million) were past due but not impaired. The ageing analysis of these trade debts is as follows:

Upto 1 month	23,740,827	6,555,166
1 to 6 months	177,745	129,139
More than 6 months	22,389	-
	23,940,961	6,684,305

11.3 As at 30 June 2014, trade debts of Rupees 1.580 million (2013: Rupees 1.550 million) were past due but not impaired. These relate to a number of independent customers from whom there is no recent history of default. The ageing analysis of these trade debts is as follows:

Upto 1 month	1,500,109	502,066
1 to 6 months	40,359	745,214
More than 6 months	39,520	302,952
	1,579,988	1,550,232

12.	**ADVANCES**		
	Considered good		
	Employees	4,115,748	3,913,680
	Suppliers	2,530,976	4,846,084
	Advance income tax	8,347,297	7,739,282
		14,994,021	16,499,046
13.	**TRADE DEPOSITS AND SHORT TERM PREPAYMENTS**		
	Deposits	151,227	289,232
	Short term prepayments	79,503	85,191
		230,730	374,423

		NOTE	2014 Rupees	2013 Rupees
14.	**OTHER RECEIVABLES**			
	Duty drawback receivable		2,931,533	1,222,433
	Accrued interest		43,519	87,956
	Insurance claim receivable		118,500	-
	Excise duty		216,826	216,826
	Sales tax refundable		9,464,378	5,826,639
			12,774,756	7,353,854
15.	**CASH AND BANK BALANCES**			
	Cash in hand		444,998	897,980
	Cash with banks:			
	Current accounts		3,842,927	1,023,574
	Deposit accounts	15.1	6,247,486	10,091,193
			10,090,413	11,114,767
			10,535,411	12,012,747

15.1 The balance in deposit accounts carries interest ranging from 5% to 10.5% per annum (2013: 5% to 10.5% per annum).

16.	**SALES**			
	Export	16.1	217,521,255	186,273,268
	Export rebate		2,560,537	1,712,784
			220,081,792	187,986,052
	Local - net of sales tax	16.2	9,081,396	7,938,688
			229,163,188	195,924,740

16.1 Export sales include Rupees 0.197 million (2013: Rupees 0.081 million) on account of exchange gain due to currency rate fluctuations relating to export sales.

16.2 Local sales are exclusive of sales tax amounting to Rupees 1.558 million (2013: Rupees 0.284 million).

17.	**COST OF SALES**			
	Raw material consumed	17.1	99,197,309	93,659,436
	Processing charges		5,920,138	-
	Salaries, wages and other benefits	17.2	46,465,992	41,426,352
	Stores and spares consumed		645,652	827,128
	Repair and maintenance		2,334,397	2,819,170
	Fuel and power		5,821,660	7,431,536
	Vehicles' running		712,944	745,416
	Insurance		759,494	804,281
	Other factory overheads		399,228	296,030
	Depreciation	6.1.1	2,385,771	2,535,925
			164,642,585	150,545,274
	Work-in-process			
	Opening stock		60,392,451	50,068,930
	Closing stock		(60,382,355)	(60,392,451)
			10,096	(10,323,521)
	Cost of goods manufactured		164,652,681	140,221,753
	Finished goods			
	Opening stock		13,017,259	15,164,369
	Closing stock		(15,689,701)	(13,017,259)
			(2,672,442)	2,147,110
			161,980,239	142,368,863
17.1	**Raw material consumed**			
	Opening stock		28,020,399	26,145,453
	Purchases during the year		96,383,387	95,534,382
			124,403,786	121,679,835
	Closing stock		(25,206,477)	(28,020,399)
			99,197,309	93,659,436

17.2 Salaries, wages and other benefits

This includes employer's contribution towards provident fund and bonus of Rupees 0.789 million (2013: Rupees 0.673 million) and Rupees 3.460 million (2013: Rupees 2.892 million) respectively.

		NOTE	2014 Rupees	2013 Rupees
18.	**DISTRIBUTION COST**			
	Salaries and other benefits	18.1	1,063,767	1,095,486
	Electricity and gas		166,333	212,329
	Vehicles' running		113,750	96,839
	Commission to selling agents		13,062,716	16,006,162
	Free samples		769,596	716,099
	Export development surcharge		479,758	501,703
	Breakage claim against cricket balls		234,817	-
	Advertisement and publicity		333,538	265,380
	Clearing and forwarding		7,672,351	6,324,253
			23,896,626	25,218,251

18.1 Salaries and other benefits

This includes employer's contribution towards provident fund and bonus of Rupees 0.035 million (2013: Rupees 0.033 million) and Rupees 0.085 million (2013: Rupees 0.131 million) respectively.

19.	**ADMINISTRATIVE EXPENSES**			
	Salaries and other benefits	19.1	14,286,305	13,957,860
	Traveling and conveyance		4,312,430	2,192,195
	Vehicles' running		1,692,269	1,983,511
	Electricity and gas		690,307	849,319
	Postage and telephone		642,020	627,962
	Legal and professional		434,422	490,610
	Printing and stationery		299,260	250,505
	Boarding, lodging and entertainment		360,019	344,564
	Fee and subscription		630,055	613,181
	Books and periodicals		21,114	15,621
	Computer expenses		304,893	222,556
	Repairs and maintenance		224,529	127,819
	Insurance		336,517	279,067
	Miscellaneous		132,891	304,855
	Depreciation	6.1.1	1,390,910	1,406,968
			25,757,941	**23,666,593**

19.1 Salaries and other benefits

This includes employer's contribution towards provident fund and bonus of Rupees 0.336 million (2013: Rupees 0.332 million) and Rupees 1.545 million (2013: Rupees 1.356 million) respectively.

20.	**OTHER EXPENSES**			
	Auditors' remuneration	20.1	290,000	290,000
	Research and development		21,220	-
	Workers' profit participation fund	4.2	838,489	197,394
	Exchange loss - net		502,114	1,239,592
	Donations	20.2	96,414	140,000
			1,748,237	1,866,986

20.1 Auditors' remuneration

Audit fee	250,000	250,000
Certification including half yearly review	30,000	30,000
Out of pocket expenses	10,000	10,000
	290,000	290,000

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

		NOTE	2014 Rupees	2013 Rupees
21.	**OTHER INCOME**			
	Income from financial assets:			
	Profit on placement and deposit accounts		689,560	1,014,181
	Dividend income		11,550	9,240
			701,110	1,023,421
	Income from non - financial assets:			
	Gain on disposal of property, plant and equipment		66,045	535,763
			767,155	1,559,184
22.	**FINANCE COST**			
	Bank charges		616,010	612,740
23.	**TAXATION**			
	Current		2,255,873	2,570,058
	Prior year adjustment		-	9,410
			2,255,873	2,579,468

23.1 The Company falls under the ambit of presumptive tax regime under section 169 of the Income Tax Ordinance, 2001. Provision for income tax is made accordingly.

23.2 Reconciliation of tax expense and product of accounting profit multiplied by the applicable tax rate is impracticable in view of presumptive taxation.

24.	**EARNINGS PER SHARE - BASIC AND DILUTED**		2014	2013
	Profit after taxation attributable to ordinary shareholders	Rupees	13,275,315	2,450,602
	Weighted average number of ordinary shares	Number	7,349,341	7,349,341
	Earnings per share	Rupees	1.81	0.33

No figure for diluted earnings per share has been presented as the Company has not issued any instrument carrying options which would have an impact on the basic earnings per share, when exercised.

25.	**CASH (UTILIZED IN) / GENERATED FROM OPERATIONS**		2014 Rupees	2013 Rupees
	Profit before taxation		15,679,461	5,122,066
	Adjustments for:			
	Depreciation on property, plant and equipment		3,776,681	3,942,893
	Profit on placement and deposit accounts		(689,560)	(1,014,181)
	Dividend income		(11,550)	(9,240)
	Share of loss / (profit) of associated company		251,829	(1,371,575)
	Gain on disposal of property, plant and equipment		(66,045)	(535,763)
	Finance cost		616,010	612,740
	Working capital changes	25.1	(7,333,077)	(8,315,187)
			(3,455,712)	(6,690,313)
			12,223,749	(1,568,247)

25.1 Working capital changes

Decrease / (increase) in current assets		
Stores and spare parts	488,783	177,389
Stock in trade	151,576	(10,051,357)
Trade debts	(17,861,147)	14,341,458
Advances	2,113,040	(5,282,172)
Trade deposits and short term prepayments	143,693	(69,799)
Other receivables	(5,465,339)	(664,988)
Increase / (decrease) in current liabilities		
Trade and other payables	13,096,317	(6,765,718)
	(7,333,077)	(8,315,187)

26. REMUNERATION OF CHIEF EXECUTIVE AND DIRECTORS

The aggregate amount charged in the financial statements for the year for remuneration including certain benefits to the chief executive and directors is as follows:

	Chief Executive		Directors	
	2014	2013	2014	2013
	Rupees		Rupees	
Managerial remuneration	2,000,000	2,000,000	1,700,000	1,420,000
Allowances :				
Housing	1,000,000	1,000,000	850,000	710,000
Bonus	500,000	500,000	425,000	355,000
Provident fund	125,004	125,004	93,126	88,752
Utilities	1,287,721	1,879,097	-	-
Income tax	1,207,800	1,363,454	226,888	33,350
	6,120,525	6,867,555	3,295,014	2,607,102
Number of persons	1	1	2	2

26.1 Chief executive and one director have been provided with the Company maintained vehicles.

26.2 No remuneration was paid to non-executive directors of the Company.

27. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise associated companies, key management personnel and staff retirement fund. Detail of transactions with the related parties, other than those which have been specifically disclosed else where in these financial statements, are as follows:

	2014	2013
	(Rupees in Million)	
Associates		
Sale of goods	127.792	105.119
Processing charges	5.920	-
Others related party		
Contribution to provident fund	1.159	1.038

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, other price risk and interest rate 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 Company's finance department under policies approved by the Board of Directors. The Company's finance department evaluates and hedges financial risks. 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, liquidity risk, use of derivative financial instruments and non derivative financial instruments and investment of excess liquidity.

(a) Market risk

(i) Currency risk

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

The Company is exposed to currency risk arising from various currency exposures, primarily with respect to the United States Dollar (USD), Great Britain Pound (GBP), European Euro (Euro) and Canadian Dollar (CAD). Currently, the Company's foreign exchange risk exposure is restricted to the amounts receivable / payable from / to the foreign entities. The Company's exposure to currency risk was as follows:

	2014	2013
Trade debts - USD	278,051	80,553
Trade debts - GBP	400	252
Trade debts - Euro	884	801
Trade and other payable - USD	128,770	78,249
Trade and other payable - GBP	12,828	20,174
Trade and other payable - CAD	716	-
Net exposure - USD	149,281	2,304
Net exposure - GBP	(12,428)	(19,922)
Net exposure - Euro	884	801
Net exposure - CAD	(716)	-

The following significant exchange rates were applied during the year:

Rupees per US Dollar		
Average rate	103.10	96.70
Reporting date rate	98.65	98.60
Rupees per GBP		
Average rate	168.72	151.95
Reporting date rate	168.32	150.87
Rupees per Euro		
Average rate	130.17	125.46
Reporting date rate	134.63	128.85
Rupees per CAD		
Average rate	96.40	
Reporting date rate	92.62	-

Sensitivity analysis

If the functional currency, at reporting date, had weakened / strengthened by 5% against the USD, GBP, Euro and CAD with all other variables held constant, the impact on profit after taxation for the year would have been Rupees 0.595 million (2013: profit after taxation would have been Rupees 0.127 million lower / higher respectively) higher / lower respectively, mainly as a result of exchange gains / losses on translation of foreign exchange denominated financial instruments. Currency risk sensitivity to foreign exchange movements has been calculated on a symmetric basis. In management's opinion, the sensitivity analysis is unrepresentative of inherent currency risk as the year end exposure does not reflect the exposure during the year.

(ii) 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. The Company is not exposed to commodity price risk.

Sensitivity analysis

The table below summarizes the impact of increase / decrease in the Karachi Stock Exchange (KSE) Index on the Company's profit after taxation for the year and on equity (fair value reserve). The analysis is based on the assumption that the equity index had increased / decreased by 5% with all other variables held constant and all the Company's equity instruments moved according to the historical correlation with the index:

Index	Impact on profit after taxation		Statement of comprehensive income (fair value reserve)	
	2014	2013	2014	2013
	(Rupees)			
KSE 100 (5% increase)	-	-	17,123	11,544
KSE 100 (5% decrease)	-	-	(17,123)	(11,544)

Equity (fair value reserve) would increase / decrease as a result of gain / loss on equity investment classified as available for sale.

(iii) 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 Company is ungeared. The Company's interest rate risk arises from bank balances in deposit accounts and placement with a bank. Financial instruments at variable rates expose the Company to cash flow interest rate risk. Financial instruments at fixed rate expose the Company to fair value interest rate risk.

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

	2014 Rupees	2013 Rupees
Fixed rate instruments		
Financial assets		
Long term placement	-	500,000
Floating rate instruments		
Financial assets		
Bank balances- deposit accounts	6,247,486	10,091,193

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 0.038 million (2013: Rupees 0.061 million) higher / lower, mainly as a result of higher / lower interest income on floating rate bank deposits. This analysis is prepared assuming the amount of assets held at balance sheet dates were held for the whole year.

(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. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

	2014 Rupees	2013 Rupees
Long term investment	342,458	230,873
Long term placement	-	500,000
Deposits	774,434	931,558
Trade debts	27,004,079	9,142,932
Advances	4,115,748	3,913,680
Other receivables	162,019	87,956
Bank balances	10,090,413	11,114,767
	42,489,151	25,921,766

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:

	Rating			2014	2013
	Short Term	Long term	Agency	Rupees	Rupees
Banks					
National Bank of Pakistan	A-1+	AAA	JCR-VIS	141,600	81,153
Bank Alfalah Limited	A1+	AA	PACRA	36,486	34,368
Habib Bank Limited	A-1+	AAA	JCR-VIS	851,267	276,900
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	7,019,276	10,674,821
The Bank of Punjab	A1+	AA -	PACRA	33,007	41,958
Faysal Bank Limited	A1+	AA	PACRA	6,051	5,567
Meezan Bank Limited	A1+	AA	JCR-VIS	2,002,726	-
				10,090,413	11,114,767
Investment					
Sitara Chemical Industries Limited	A-1	A+	JCR-VIS	342,458	230,873
Long term placement					
KASB Bank Limited	A3	BBB	PACRA	-	500,000
				10,432,871	11,845,640

The Company's exposure to credit risk and impairment losses related to trade debts is disclosed in Note 11.

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 the credit risk is minimal.

(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. The Company follows an effective cash management and planning policy to ensure availability of funds and to take appropriate measures for new requirements. Following are the contractual maturities of financial liabilities. The amounts disclosed in the table are undiscounted cash flows.

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)					
Non-derivative financial liabilities:						
Trade and other payables	38,166,666	38,166,666	38,166,666	-	-	-

Contractual maturities of financial liabilities as at 30 June 2013

	Carrying Amount	Contractual Cash Flows	6 month or less	6-12 month	1-2 Year	More than 2 Years
	(Rupees)					
Non-derivative financial liabilities:						
Trade and other payables	24,258,927	24,258,927	24,258,927	-	-	-

28.2 Fair values of financial assets and liabilities

The carrying values of all financial assets and liabilities reflected in financial statements approximate their fair values. The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped in to levels 1 to 3 based on the degree to which fair value is observable:

	Level 1	Level 2	Level 3	Total
	(Rupees)			
As at 30 June 2014				
Assets				
Available for sale financial asset	342,458	-	-	342,458
As at 30 June 2013				
Assets				
Available for sale financial asset	230,873	-	-	230,873

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 in above referred table.

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 in above referred table. The Company has no such type of financial instruments as at 30 June 2014.

If one or more of the significant inputs is not based on observable market data, the financial instrument is classified under level 3.The carrying amount less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Company for similar financial instruments.

28.3 Financial instruments by categories

	Loans and receivables	Available for sale	Total
	Rupees	Rupees	Rupees
As at 30 June 2014			
Assets as per balance sheet			
Investment	-	342,458	342,458
Deposits	774,434	-	774,434
Trade debts	27,004,079	-	27,004,079
Advances	4,115,748	-	4,115,748
Other receivables	162,019	-	162,019
Cash and bank balances	10,535,411	-	10,535,411
	42,591,691	342,458	42,934,149

	Financial liabilities at amortized cost
	Rupees
Liabilities as per balance sheet	
Trade and other payables	38,166,666

	Loans and receivables	Available for sale	Total
As at 30 June 2013	Rupees	Rupees	Rupees
Assets as per balance sheet			
Investment	-	230,873	230,873
Placement	500,000	-	500,000
Deposits	931,558	-	931,558
Trade debts	9,142,932	-	9,142,932
Advances	3,913,680	-	3,913,680
Other receivables	87,956	-	87,956
Cash and bank balances	12,012,747	-	12,012,747
	26,588,873	230,873	26,819,746

	Financial liabilities at amortized cost
	Rupees
Liabilities as per balance sheet	
Trade and other payables	24,258,927

28.4 Capital risk management

The Company's objectives when managing capital are to be safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders or issue new shares.

29. PROVIDENT FUND RELATED DISCLOSURES

The following information is based on un-audited financial statements of the provident fund trust as at 30 June 2014 and audited financial statement of the provident fund trust for the year ended 30 June 2013:

	2014 Rupees	2013 Rupees
Size of the fund - Total assets	13,162,214	12,094,777
Cost of Investments	9,096,390	8,482,251
Fair value of investments	11,387,985	10,262,211
Percentage of investments made	86.52%	84.85%

29.1 The break-up of fair value of investments is as follows:

	2014 Percentage	2013 Percentage	2014 Rupees	2013 Rupees
Deposits	54.41%	54.40%	6,196,390	5,582,251
Mutual funds	45.59%	45.60%	5,191,595	4,679,960
			11,387,985	**10,262,211**

30. NUMBER OF EMPLOYEES

	2014	2013
Number of employees as on 30 June		
Permanent	194	186
Contractual	30	75
Average number of employees during the year		
Permanent	182	184
Contractual	32	72

31. 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.

32. DATE OF AUTHORIZATION

These financial statements were authorized for issue on September 29, 2014 by the Board of Directors of the Company.

33. CORRESPONDING FIGURES

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

KHAWAR ANWAR KHAWAJA
CHIEF EXECUTIVE

MUHAMMAD TAHIR BUTT
DIRECTOR

The Companies Ordinance 1984 **Form - 34**

(Section 236(1) and 464)

Pattern Of Shareholding

Name of The Company **Grays of Cambridge Pakistan Limited**

Pattern of Holding of the Shares held by the Shareholders as at : **June 30, 2014**

No. of Shareholders	Shareholding		Total Shares held
	From	To	
103	1	100	3,820
73	101	500	27,131
90	501	1,000	81,985
72	1,001	5,000	203,240
15	5,001	10,000	121,025
4	10,001	15,000	52,282
7	15,001	20,000	125,625
4	20,001	25,000	89,681
1	25,001	30,000	28,882
1	40,001	45,000	44,293
1	60,001	65,000	62,301
2	70,001	75,000	147,708
2	100,001	105,000	204,232
1	135,001	140,000	135,935
1	160,001	165,000	160,985
1	225,001	230,000	225,072
1	295,001	300,000	296,424
1	315,001	320,000	315,909
1	365,001	370,000	367,492
2	865,001	870,000	1,732,344
1	2,920,001	2,925,000	2,922,975
384			**7,349,341**

Grays of Cambridge Pakistan Limited **As On: June 30, 2014**

Categories of Shareholder	Physical	CDC	Total	% age
Directors, Chief Executive Officer, Their Spouses and Minor Childern				
Directors				
Mr. Ameer Khawar Khawaja	2,250	-	2,250	0.03
Mr. Khawar Anwar Khawaja	865,047	-	865,047	11.77
Mr. Khurram Anwar Khawaja	867,297	-	867,297	11.80
Mr. Muhammad Tahir Butt	9,841	-	9,841	0.13
Mr. Neil Douglas James Gray	4,918	-	4,918	0.07
Mr. Omer Khawar Khawaja	1,372	-	1,372	0.02
Mr. Paul Douglas Gray	4,918	-	4,918	0.07
Director's Spouses and Their Minor Childern				
Mrs. Farough Tahir Butt	102,116	-	102,116	1.39
Mrs. Khadeeja Khurram Khawaja	24,606	-	24,606	0.33
Mrs. Nuzhat Khawar Khawaja	24,606	-	24,606	0.33
	1,906,971	**-**	**1,906,971**	**25.95**
Associated Companies, Undertakings & Related Parties				
M/s. Anwar Khawaja Ind. (Pvt) Limited	367,492	135,935	503,427	6.85
M/s. Grays of Cambridge (Int) Limited	2,922,975	-	2,922,975	39.77
	3,290,467	**135,935**	**3,426,402**	**46.62**
NIT & ICP				
CDC - Trustee National Investment (Unit) Trust	-	315,909	315,909	4.30
	-	**315,909**	**315,909**	**4.30**
Banks, NBFCs, DFIs, Takaful, Pension Funds	**-**	**190,351**	**190,351**	**2.59**
Other Companies,Corporate Bodies, Trust etc.	**-**	**11,326**	**11,326**	**0.15**
General Public	**1,081,323**	**417,059**	**1,498,382**	**20.39**
	6,278,761	**1,070,580**	**7,349,341**	**100.00**

Shareholders More Than 5.00%				
M/s. Grays of Cambridge (Int) Limited			2,922,975	39.77
Mr. Khurram Anwar Khawaja			867,297	11.80
Mr. Khawar Anwar Khawaja			865,047	11.77
M/s. Anwar Khawaja Ind. (Pvt) Limited			503,427	6.85

GRAYS OF CAMBRIDGE (PAKISTAN) LIMITED
51st ANNUAL GENERAL MEETING
Proxy Form

I / We, _____ of _____

being the member of **Grays of Cambridge (Pakistan) Limited** hereby appoint Mr./Mrs./Miss. _____

who is a member of the Company vide Registered Folio / CDC Participant ID.No._____ or failing whom

Mr./Mrs./Miss. _____ who is also a member of the Company vide Registered Folio / CDC Participant

ID.No._____ as my / our proxy to attend and vote for me and on my behalf at the 51st annual general meeting of the Company to be held on Thursday, October 30, 2014 at 11:30 a.m. and / or at any adjournment thereof.

Folio No	CDC account Number		Number of shares held
	Participants I.D.	Account No.	

(Signature on Rupees Five Revenue Stamp)

(Signature should agree with the specimen signature registered with the Company)

WITNESSES:

i. Signature _____
Name _____
Address _____
_____

CNIC | | | | | | - | | | | | | | | - | |
or passport No. _____

Date: _____

ii. Signature _____
Name _____
Address _____
_____

CNIC | | | | | | - | | | | | | | | - | |
or passport No. _____

Date: _____

NOTES

I. The proxy form must be signed across Rupees Five revenue stamp and it should be deposited in the Company's registered office not less than 48 hours before the time of holding the meeting.

II. If a member appoints more than one proxy and more than one instruments of proxy are deposited by a member with the Company, all such instruments of proxy shall be rendered invalid.

III. A member entitled to attend may appoint another member as his / her proxy or may by power of attorney authorize any other person as his / her agent to attend, speak and vote at the meeting. A corporation or a company, as the case may be, being a member of the Company, may appoint any of its officials or any other person to act as its representative and the person so authorized shall be entitled to the same powers as if he were an individual share holder.

For CDC account holders / corporate entities:

In addition to the above the following requirements have to be met:

I. The Proxy Form shall be witnessed by two persons whose names, addresses and CNIC or Passport numbers shall be mentioned on the Form.

II. Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.

III. The proxy shall produce his original CNIC or original passport at the time of the meeting.

IV. In case of corporate entity, the board of directors' resolution / power of attorney with specimen signature shall be submitted (unless it has been provided earlier) alongwith proxy form to the Company.