



PRICE BAILEY

Chartered Accountants

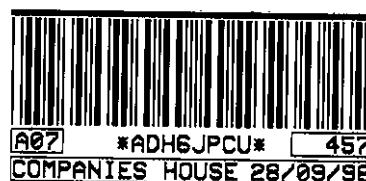
GRAYS OF CAMBRIDGE (INTERNATIONAL) LIMITED

CONSOLIDATED SHAREHOLDERS

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 1995

Company Registration No: 148700



Offices at:

Bishop's Stortford Cambridge Chingford Ely Harlow Newmarket
Norwich Saffron Walden

A member of The UK 200 Group, an association of independent practising Chartered Accountants

GRAYS OF CAMBRIDGE (INTERNATIONAL) LIMITED

DIRECTORS' REPORT

The directors have pleasure in presenting their report, together with the audited consolidated financial statements, for the year ended 31 December 1995.

RESULTS AND DIVIDENDS

The directors consider the state of the company's affairs during the year and the financial position at the end of the year to be satisfactory and are pleased to report that trading has held up well in view of the economic climate.

The profit on ordinary activities for the year, before taxation, amounted to £526,962 (1994: £512,421).

The directors recommend the payment of dividends as follows:

Ordinary shares at £3 per share	121,764
Cumulative preference shares at 6%	360
	<hr/>
	£122,124
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The directors do not recommend any transfers to reserves other than the £381,992 (1994: £331,606) retained profit.

REVIEW OF THE BUSINESS

The principal activities of the Group are unchanged from last year and are principally the manufacture, wholesaling and retailing of sports equipment.

FIXED ASSETS

There were no significant changes in fixed assets during the year.

FUTURE DEVELOPMENTS AND EVENTS SINCE THE END OF THE YEAR

There have been no events since the end of the year which require comments by the directors, and the directors anticipate no significant change in the group's activities in the foreseeable future.

GRAYS OF CAMBRIDGE (INTERNATIONAL) LIMITED

DIRECTORS' REPORT (CONTINUED)

DIRECTORS AND THEIR INTERESTS

The directors during the year and their interests in the share capital of the group companies at the beginning and end of the year were as follows:

Grays of Cambridge (International) Limited

	Cumulative Preference Shares of £1 each	Ordinary Shares of £1 each
P Wildman Esq (Chairman)	-	-
W Gray Esq	2,500	4,364
H J Gray Esq	2,500	11,130
R G Blake Esq	-	-
K G E Spink Esq	-	-
N D J Gray Esq	-	800

Mrs J Gray, wife of W Gray Esq, holds 4,364 ordinary shares.

None of the directors held any shares in any other group companies which require disclosure under Schedule 7 to the Companies Act 1985.

DIRECTORS' RESPONSIBILITIES

The directors acknowledge their various accounting responsibilities, in particular the requirement to maintain proper and accurate accounting records and the need to safeguard assets and take reasonable steps for the prevention and detection of fraud and other irregularities. In addition the directors also acknowledge their responsibility for the accounts, which have been prepared from the accounting records.

The accounts are required to give a true and fair view and to comply with the Companies Act 1985. To achieve this, the directors have chosen accounting policies suitable to the business, applied them consistently and made judgements and estimates that they consider prudent and reasonable. They have applied the going concern basis of accounting, which they consider appropriate in the circumstances.

AUDITORS

A resolution proposing the re-appointment of Price Bailey as auditors to the company will be put to the members at the Annual General Meeting.

REGISTERED OFFICE

Station Road
Robertsbridge
East Sussex
TN32 5DH

BY ORDER OF THE BOARD


R G Blake
SECRETARY

Dated: 27 June 1996



AUDITORS' REPORT TO THE SHAREHOLDERS OF

GRAYS OF CAMBRIDGE (INTERNATIONAL) LIMITED

We have audited the financial statements on pages 4 to 26 which have been prepared under the historical cost convention, as modified by the revaluation of certain freehold properties, and the accounting policies set out on pages 9 to 12.

Respective responsibilities of directors and auditors

As described in the directors' report, the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of any significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary, in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material mis-statements, whether caused by fraud or other irregularity, or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion, the financial statements give a true and fair view of the state of the company's affairs as at 31 December 1995 and of the profit for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.

AYLMER HOUSE

THE HIGH

HARLOW

ESSEX CM20 1DH

PRICE BAILEY

**CHARTERED ACCOUNTANTS
AND REGISTERED AUDITORS**

Dated: 2 July 1996

GRAYS OF CAMBRIDGE (INTERNATIONAL) LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 1995

	Notes		1994
TURNOVER	2	6,130,199	5,682,990
Change in stocks of finished goods and work in progress		(44,068)	349,264
Other operating income		6,086,131 65,948	6,032,254 39,304
Raw materials and consumables		6,152,079 2,791,550	6,071,558 2,934,239
		3,360,529	3,137,319
Staff costs	4	1,346,693	1,308,163
Depreciation and adjustments on disposals of fixed assets		50,772	30,417
Other operating charges		1,505,608	1,425,921
		2,903,073	2,764,501
GROUP OPERATING PROFIT	2/3	457,456	372,818
Income from investments	5	118,148	185,537
Interest receivable		2,188	1,765
Interest payable	6	(49,830)	(47,699)
GROUP PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		527,962	512,421
Tax on profit on ordinary activities	7	40,541	54,011
GROUP PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		487,421	458,410
Dividends	8	105,429	126,804
RETAINED PROFIT FOR THE FINANCIAL YEAR		£381,992	£331,606

The notes on pages 9 to 26 form part of these financial statements.

GRAYS OF CAMBRIDGE (INTERNATIONAL) LIMITED

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 1995

	Notes		1994
FIXED ASSETS			
Tangible assets	9	676,549	656,754
Investments in associated undertakings	10	607,694	565,783
		<hr/>	<hr/>
		1,284,243	1,222,537
CURRENT ASSETS			
Stocks	11	1,717,706	1,677,089
Debtors	12	569,278	470,837
Cash at bank and in hand		126,503	104,822
		<hr/>	<hr/>
		2,413,487	2,252,748
CREDITORS: amounts falling due within one year	13	1,184,392	1,178,467
		<hr/>	<hr/>
NET CURRENT ASSETS		1,229,095	1,074,281
TOTAL ASSETS LESS		<hr/>	<hr/>
CURRENT LIABILITIES		2,513,338	2,296,818
CREDITORS: amounts falling due after more than one year:			
Bank loan	14	-	150,000
		<hr/>	<hr/>
		£2,513,338	£2,146,818
		<hr/>	<hr/>
CAPITAL AND RESERVES			
Called up share capital	15	48,088	48,088
Revaluation reserve	16	142,599	142,599
Profit and loss account	16	2,322,651	1,956,131
		<hr/>	<hr/>
	17	£2,513,338	£2,146,818

Approved by the board on 27 June 1996

P Wildman

)

) Directors

W Gray

)

The notes on pages 9 to 26 form part of these financial statements.

GRAYS OF CAMBRIDGE (INTERNATIONAL) LIMITED

HOLDING COMPANY BALANCE SHEET AS AT 31 DECEMBER 1995

	Notes		1994
FIXED ASSETS			
Tangible assets	9	670,125	651,890
Investment in subsidiary	10	125,000	125,000
Investments in associated undertakings	10	300,000	300,000
		<hr/>	<hr/>
		1,095,125	1,076,890
CURRENT ASSETS			
Stocks	11	1,589,542	1,558,785
Debtors	12	570,577	467,702
Cash at bank and in hand		112,586	84,225
		<hr/>	<hr/>
		2,272,705	2,110,712
CREDITORS: amounts falling due within one year	13	1,156,643	1,149,076
		<hr/>	<hr/>
NET CURRENT ASSETS		1,116,062	961,636
TOTAL ASSETS LESS CURRENT LIABILITIES		<hr/>	<hr/>
		2,211,187	2,038,526
CREDITORS: amounts falling due after more than one year	14	-	150,000
		<hr/>	<hr/>
		£2,211,187	£1,888,526
		<hr/>	<hr/>
CAPITAL AND RESERVES			
Called up share capital	15	48,088	48,088
Revaluation reserve	16	433,599	433,599
Profit and loss account	16	1,729,500	1,406,839
		<hr/>	<hr/>
	17	£2,211,187	£1,888,526
		<hr/>	<hr/>

Approved by the board on 27 June 1996

P Wildman

W Gray

)
) Directors
)



The notes on pages 9 to 26 form part of these financial statements.

GRAYS OF CAMBRIDGE (INTERNATIONAL) LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 1995

	Notes		1994
Net cash inflow from operating activities	18	343,857	217,676
Returns on investments and servicing of finance			
Interest received	2,188		1,765
Interest paid	(50,330)		(47,699)
Dividends received	60,891		52,280
Dividends paid	(44,187)		(4,680)
Net cash (outflow)/inflow from returns on investments and servicing of finance		(31,438)	1,666
Taxation			
Corporation tax paid (including advance corporation tax)		(67,513)	-
Investing activities			
Payments to acquire tangible fixed assets	(74,877)		(57,080)
Receipts from sales of tangible fixed assets	-		4,602
Net cash outflow from investing activities		(74,877)	(52,478)
Net cash inflow before financing		170,029	166,884
Financing			
Repayment of bank loan	(180,000)		(30,000)
Repayment of finance leases and hire purchase contracts	-		(8,535)
Net cash outflow from financing		(180,000)	(38,535)
(Decrease)/increase in cash and cash equivalents	19	£(9,971)	£128,329

GRAYS OF CAMBRIDGE (INTERNATIONAL) LIMITED

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

FOR THE YEAR ENDED 31 DECEMBER 1995

	1995	1994
Profit for the financial year	487,421	458,410
Currency translation differences currency net investments	(15,472)	(33,166)
Total recognised gains for the financial year	<u>£471,949</u>	<u>£425,244</u>

NOTE OF HISTORICAL COST PROFITS AND LOSSES

FOR THE YEAR ENDED 31 DECEMBER 1995

	1995	1994
Reported profit on ordinary activities before taxation	527,962	512,421
Difference between historical cost depreciation charge and the actual depreciation charge of the year calculated on the revalued amount	1,855	1,579
Historical cost profit on ordinary activities before taxation	<u>£529,817</u>	<u>£514,000</u>
Historical cost profit for the year retained after taxation, minority interests, extraordinary items and dividends	<u>£383,847</u>	<u>£333,185</u>

GRAYS OF CAMBRIDGE (INTERNATIONAL) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

1.1 Accounting convention

The financial statements are prepared under the historical cost convention as modified by the revaluation of certain freehold properties, in accordance with applicable Statements of Standard Accounting Practice and Financial Reporting Standards.

1.2 Basis of consolidation

The consolidated financial statements include the results of the company and its subsidiaries. Inter group sales and profits are eliminated on consolidation.

The company has taken advantage of Section 230 of the Companies Act 1985 allowing it not to publish a separate profit and loss account. The profit after taxation attributable to the company in the consolidated profit and loss account amounts to £428,090 (1994: £338,965).

1.3 Associated undertakings

The group's share of profits less losses of associated undertakings is included in the consolidated profit and loss account, and the group's share of post acquisition retained profits and reserves is added to the cost of the investments in the consolidated balance sheet. Since the accounting policies of associated undertakings do not necessarily conform in all respects with those of the group, adjustments are made on consolidation where the amounts involved are material to the group.

1.4 Subsidiaries

The group's share of subsidiary undertakings income and expenditure is included on the profit and loss account. The group's share of subsidiary undertakings assets and liabilities is included in the balance sheet.

1.5 Goodwill

Goodwill arising on consolidation, being the excess of the purchase price over the value of the net assets of subsidiaries at the date of acquisition, is written off immediately on acquisition against reserves.

1.6 Turnover

Turnover represents the total amounts receivable (excluding value added tax) in respect of goods sold and services rendered.

GRAYS OF CAMBRIDGE (INTERNATIONAL) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1. ACCOUNTING POLICIES (continued)

1.7 Depreciation and amortisation

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost or valuation of each asset, less estimated residual value, over its expected life on the following basis:

Freehold land	- Nil
Freehold buildings	- 2% on straight line basis
Plant and machinery	- Between 10% and 33% on the reducing balance basis or the straight line basis
Furniture and fittings	- Between 7.5% and 20% on the reducing balance basis
Motor vehicles	- 25% on reducing balance basis

1.8 Research and development

Expenditure on research and development, patents, trade marks, franchises and goodwill is written off as and when incurred.

1.9 Dividends

Dividends received and receivable at the balance sheet date are included in the profit and loss account for that year. In addition, credit is taken for any dividends which are declared subsequent to the balance sheet date, but which relate to the year ending on or before that date.

1.10 Stocks and work in progress

Stock and work in progress is stated at the lower of cost and net realisable value.

Cost is represented by all expenditure incurred in the usual course of business in bringing products to their present location and condition, including related production overheads based on the normal level of activity.

Net realisable value represents the actual or estimated selling price of the items concerned, less trade discounts, all further costs to completion and all costs to be incurred in marketing, selling and distribution, and is calculated after taking account of obsolescence and physical deterioration.

GRAYS OF CAMBRIDGE (INTERNATIONAL) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1. ACCOUNTING POLICIES (continued)

1.10 Stocks and work in progress (continued)

Purchases made under letters of credit arrangements are brought into stock at the time letters of acceptance are signed by the company.

1.11 Deferred taxation

Deferred taxation is calculated using the liability method on timing differences between amounts as computed for taxation purposes and amounts as stated in these financial statements in conjunction with losses carried forward.

1.12 Foreign currency conversion

Transactions denominated in foreign currencies are translated into Sterling and recorded at an average rate of exchange ruling during the year.

Balances at the year end denominated in foreign currency are translated into Sterling at an average rate of exchange ruling during the year.

Exchange differences arising from the translation of the opening net investment in foreign enterprises are recorded as a movement on reserves.

Other exchange differences arising from conversion of foreign currencies are taken to the profit and loss account as part of the ordinary activities of the business.

1.13 Leasing and hire purchase

Tangible fixed assets acquired under finance leases or hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives, except for those acquired under finance lease contracts, which are depreciated over the life of the contract.

The interest element of rental obligations is charged to the profit and loss account over the period of the contract and represents a constant proportion of the balance of capital payments outstanding.

Rentals paid under operating leases are charged to the profit and loss account as incurred.

1.14 Defined contribution pension scheme

The company operates a defined contribution pension scheme in respect of some of the directors. The assets of the scheme are held separately from those of the company in independently administered funds. The pension cost charge represents contributions payable by the company to the funds.

GRAYS OF CAMBRIDGE (INTERNATIONAL) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1. ACCOUNTING POLICIES (continued)

1.15 Defined benefit pension scheme

The company operates a pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the company, being invested with insurance companies. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the company.

2. TURNOVER

The turnover and operating profit is attributable to the principal activities of manufacture, wholesale and retail of sports equipment, as follows:

	1994			
	Turnover	Profit	Turnover	Profit
Manufacturing and wholesale	4,761,860	402,744	4,411,746	439,597
Retail shops	1,239,044	23,616	1,135,053	35,627
Commission	129,295	129,295	136,191	136,191
Gross contribution	6,130,199	555,655	5,682,990	611,415
Unallocated administration costs	-	(98,199)	-	(238,597)
Group turnover/operating profit	£6,130,199	£457,456	£5,682,990	£372,818

The geographical analysis of turnover is as follows:

	1994	
United Kingdom	4,585,664	4,058,459
Rest of the world	1,544,535	1,624,531
	£6,130,199	£5,682,990

3. OPERATING PROFIT

This is stated after charging:

	1994	
Directors' emoluments (see note 4)	£118,969	£173,144
Auditors' remuneration	£18,200	£17,700
Hire of plant and machinery	£12,841	£12,330
Net exchange (gains)/losses	£(25,032)	£7,467

GRAYS OF CAMBRIDGE (INTERNATIONAL) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. STAFF COSTS

		1994
Wages and salaries:		
Directors	107,325	121,818
Direct and indirect wages	347,871	419,098
Administration	181,233	161,930
Retail wages and salaries	332,084	214,325
Commissions	228,503	209,454
	<hr/>	<hr/>
	1,197,016	1,126,625
Social security costs	76,427	91,677
Pension to former employees	20,464	21,765
Pension scheme costs	52,786	68,096
	<hr/>	<hr/>
	£1,346,693	£1,308,163
	<hr/>	<hr/>

The average weekly number of employees during the year was:

	No.	1994
		No.
Production	30	30
Sales	25	24
Administration	28	27
	<hr/>	<hr/>
	83	81
	<hr/>	<hr/>

Directors' remuneration:

		1994
Fees	3,600	3,600
Emoluments	109,995	109,464
Pension contributions	2,624	57,330
Pensions to former directors	2,750	2,750
	<hr/>	<hr/>
	£118,969	£173,144
	<hr/>	<hr/>

The emoluments of the Chairman, excluding pension contributions, were £3,600 (1994: £3,600) and of the highest paid director, excluding pension contributions, £40,527 (1994: £40,322).

GRAYS OF CAMBRIDGE (INTERNATIONAL) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. STAFF COSTS (continued)

The remuneration of the directors, excluding pension contributions, (including the Chairman and highest paid director) fell into the following ranges:

		1994	
		No.	No.
£Nil - £5,000		3	3
£15,001 - £20,000		1	-
£25,001 - £30,000		-	1
£35,001 - £40,000		1	1
£40,001 - £45,000		1	1

Directors' interests in contracts

The company has a contract with a firm in which a director, R G Blake Esq is a partner, for the provision of financial consultancy services under which it paid £8,190 during the year (1994: £7,470).

The company also has a contract with K G E Spink Esq for the provision of consultancy services under which it paid £4,758 (1994: £2,468) during the year.

5. INVESTMENT INCOME

		1994
Dividends from associated undertakings:		
Listed on Lahore Stock Exchange	56,474	60,412
Group's share in profits before taxation of associated undertakings:		
Listed on Lahore Stock Exchange	37,862	100,965
Unlisted	23,812	24,160
	<hr/>	<hr/>
	£118,148	£185,537
	<hr/>	<hr/>

The associated undertakings changed their year ends to 30 June during 1995. Therefore, the group's share of profit of associated undertakings was for the period 1 January 1995 to 30 June 1995 compared with a full years income for 1994.

GRAYS OF CAMBRIDGE (INTERNATIONAL) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6. INTEREST PAYABLE

		1994
On bank loans and overdrafts repayable within five years otherwise than by instalments	28,090	26,485
On bank loans and overdrafts repayable within five years by instalments	8,452	15,050
Hire purchase contracts and finance leases	-	3,801
Other loans	13,288	998
Late payment of corporation tax	-	1,365
	<u>£49,830</u>	<u>£47,699</u>

7. TAXATION ON PROFIT ON ORDINARY ACTIVITIES

		1994
UK corporation tax based on profit for the year	8,471	12,162
Underprovision of corporation tax in previous years at 25%	27,779	35,000
Share of associated undertakings tax charge	4,291	6,849
	<u>£40,541</u>	<u>£54,011</u>

The company has approximately £750,000 of unrelieved tax losses to carry forward against future profits of the company.

No provision for deferred taxation is required to be made in these financial statements.

GRAYS OF CAMBRIDGE (INTERNATIONAL) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8. DIVIDENDS

1994

Ordinary shares:

Proposed £3 per share	121,764	121,764
Dividend waived	(16,695)	-

6% Cumulative Preference shares:

Arrears paid	-	4,680
Proposed	360	360

£105,429

£126,804

9. TANGIBLE FIXED ASSETS

Group:

	Freehold Land and Buildings	Plant and Machinery	Furniture and Fittings	Motor Vehicles	Total
Cost or valuation:					
At 1 January 1995	586,702	472,784	290,113	65,210	1,414,809
Additions	-	61,649	13,228	-	74,877
Disposals	-	(35,955)	-	-	(35,955)
At 31 December 1995	£586,702	£498,478	£303,341	£65,210	£1,453,731
Depreciation:					
At 1 January 1995	48,951	427,319	252,878	28,907	758,055
Charge for the year	7,929	20,070	10,820	9,077	47,896
Eliminated on disposals	-	(28,769)	-	-	(28,769)
At 31 December 1995	£56,880	£418,620	£263,698	£37,984	£777,182
Net book value:					
At 31 December 1994	£537,751	£45,465	£37,235	£36,303	£656,754
At 31 December 1995	£529,822	£79,858	£39,643	£27,226	£676,549

GRAYS OF CAMBRIDGE (INTERNATIONAL) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

9. TANGIBLE FIXED ASSETS (continued)

Company:

	Freehold Land and Buildings	Plant and Machinery	Furniture and Fittings	Motor Vehicles	Total
Cost or valuation:					
At 1 January 1995	586,702	460,464	276,462	65,210	1,388,838
Additions	-	58,331	13,135	-	71,466
Disposals	-	(35,955)	-	-	(35,955)
At 31 December 1995	<u>£586,702</u>	<u>£482,840</u>	<u>£289,597</u>	<u>£65,210</u>	<u>£1,424,349</u>
Depreciation:					
At 1 January 1995	48,951	417,495	241,595	28,907	736,948
Charge for the year	7,929	18,712	10,327	9,077	46,045
Eliminated on disposals	-	(28,769)	-	-	(28,769)
At 31 December 1995	<u>£56,880</u>	<u>£407,438</u>	<u>£251,922</u>	<u>£37,984</u>	<u>£754,224</u>
Net book value:					
At 31 December 1994	<u>£537,751</u>	<u>£42,969</u>	<u>£34,867</u>	<u>£36,303</u>	<u>£651,890</u>
At 31 December 1995	<u>£529,822</u>	<u>£75,402</u>	<u>£37,675</u>	<u>£27,226</u>	<u>£670,125</u>

GRAYS OF CAMBRIDGE (INTERNATIONAL) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

9. TANGIBLE FIXED ASSETS (continued)

Historical cost information relating to freehold premises included at valuation:

Historical cost:

At 1 January 1995 and	
31 December 1995	£428,202

Depreciation based on cost:

At 1 January 1995	40,455
Charge for the year	6,074

At 31 December 1995	£46,529
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Net historical cost value:

At 31 December 1994	£387,747
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At 31 December 1995	£381,673
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Included in freehold land and buildings of £586,702 is property which was professionally valued at £254,990 in 1986 or earlier years. The original cost of this property was £96,490. In the directors opinion their present values are not considered to be significantly different from their book values.

Included in freehold land and buildings is non-depreciable land valued at £190,250.

If the land and buildings were sold at their valuation it is considered likely that no significant tax liability would arise.

The remaining fixed assets of the company have not been revalued, but the directors have considered their value and are satisfied that their aggregate value at 31 December 1995 was not less than their net book value shown in the financial statements.

GRAYS OF CAMBRIDGE (INTERNATIONAL) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

10. FIXED ASSET INVESTMENTS

Subsidiary undertakings:

Investment at cost in Sarnian Sports Limited:

As at 1 January 1995 and 31 December 1995 £125,000

Grays of Cambridge (International) Limited owns 125,000 (100%) of the £1 ordinary shares of Sarnian Sports Limited, a company which was incorporated in Guernsey and whose principal activity is the retailing of sports equipment.

Associated undertakings:

	1994			
	Group	Company	Group	Company
Grays of Cambridge (Pakistan) Limited and its subsidiary Dawn Sports (Private) Limited				
Shares listed on the Lahore Stock Exchange at cost/valuation	9,000	300,000	9,000	300,000
Group's share of post acquisition retained profits and reserves:				
Grays of Cambridge (Pakistan) Limited	551,571	-	533,016	-
Dawn Sports (Private) Limited	47,123	-	23,767	-
	<u>£607,694</u>	<u>£300,000</u>	<u>£565,783</u>	<u>£300,000</u>

Grays of Cambridge (Pakistan) Limited was incorporated in Pakistan and its shares have been quoted on the Lahore Stock Exchange since January 1987. As at 31 December 1995 the Company's holding was 298,664 (40%) of the 10 Rupee ordinary share capital and the shares were quoted at 169 Rupees each on 30 June 1995 and 192 Rupees at 31 December 1995. At the 31 December price, the company's investment would be worth approximately £900,000. If the shares were sold at this valuation a tax liability of approximately £280,000 would arise.

GRAYS OF CAMBRIDGE (INTERNATIONAL) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

10. FIXED ASSET INVESTMENTS (continued)

The investment was revalued during 1988 by the directors to take account of its true market value at that date of approximately £300,000 which is the amount included in the company's balance sheet.

The principal activity of Grays of Cambridge (Pakistan) Limited is the manufacture and export of quality sports goods.

The principal activity of Dawn Sports (Private) Limited is the manufacture and export of quality sports goods.

Grays of Cambridge (Pakistan) Limited and Dawn Sports (Private) Limited both changed their year end to 30 June in 1995. The previous year end was 31 December 1994. The share of profits included in these financial statements are to 30 June 1995. The half year unaudited accounts to 31 December 1995 show the results and financial position to be substantially similar to those of the half year to 30 June 1995.

Grays of Cambridge (International) Limited also owns the entire share capital of the following non-trading companies, whose names are used for trading within the Group:

Name of Subsidiary	Country of Incorporation
Gray Nicolls Limited	England
Grays Sports Limited	England
P H Gray (Rugby) Limited	England
Grays of Cambridge Limited	England
H J Gray and Sons Limited	England

11. STOCKS

	1994			
	Group	Company	Group	Company
Raw materials	327,572	327,572	247,376	247,376
Work in progress	57,594	57,594	47,711	47,711
Finished stock of own manufacture	275,275	275,275	231,191	231,191
Finished stock bought in	412,166	412,166	406,436	406,436
Goods in transit	140,108	140,108	345,262	345,262
Retail stock	487,514	359,350	386,729	268,425
Consumable stores	17,477	17,477	12,384	12,384
	<hr/>	<hr/>	<hr/>	<hr/>
	£1,717,706	£1,589,542	£1,677,089	£1,558,785
	<hr/>	<hr/>	<hr/>	<hr/>

GRAYS OF CAMBRIDGE (INTERNATIONAL) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

12. DEBTORS

1994

	Group	Company	Group	Company
Trade debtors	302,473	300,595	281,224	281,224
Other debtors	105,985	105,985	56,180	54,593
Prepayments and accrued income	112,817	111,141	59,026	56,873
Dividend from associated company	48,003	48,003	51,350	51,350
Amounts due from group undertakings	-	4,853	-	605
Directors' current accounts	-	-	23,057	23,057
	<u>£569,278</u>	<u>£570,577</u>	<u>£470,837</u>	<u>£467,702</u>

13. CREDITORS: amounts falling due within one year

1994

	Group	Company	Group	Company
Bank loan	-	-	30,000	30,000
Bank overdraft	92,332	92,332	60,680	60,680
Trade creditors	359,407	338,560	375,562	351,604
Letters of credit	140,108	140,108	345,262	345,262
Amounts due to group undertakings	310	310	-	-
Proposed dividends	183,366	183,366	122,124	122,124
Corporation tax	7,500	7,500	38,100	38,100
Other taxes and social security costs	48,003	48,003	23,616	23,616
Accruals and deferred income	244,640	237,738	160,637	155,204
Other creditors	107,006	107,006	22,486	22,486
Directors' current accounts	1,720	1,720	-	-
	<u>£1,184,392</u>	<u>£1,156,643</u>	<u>£1,178,467</u>	<u>£1,149,076</u>

GRAYS OF CAMBRIDGE (INTERNATIONAL) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

14. CREDITORS: amounts falling due after more than one year:

Bank loan:

			1994	
	Group	Company	Group	Company
Repayable between 2 and 5 years	-	-	120,000	120,000
Repayable after more than five years	-	-	30,000	30,000
	<u>£Nil</u>	<u>£Nil</u>	<u>£150,000</u>	<u>£150,000</u>

15. SHARE CAPITAL

	1994	
	No.	No.
Authorised		
7,500 6% cumulative preference shares of £1 each	7,500	7,500
42,500 ordinary shares of £1 each	42,500	42,500
	<u>50,000</u>	<u>50,000</u>
Issued and fully paid		
7,500 6% cumulative preference shares of £1 each	7,500	7,500
40,588 ordinary shares of £1 each	40,588	40,588
	<u>£48,088</u>	<u>£48,088</u>

GRAYS OF CAMBRIDGE (INTERNATIONAL) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

16. RESERVES

Group:

	Revaluation Reserve	Profit and Loss Account	Total
At 1 January 1995	142,599	1,956,131	2,098,730
Retained profit for the year	-	381,992	381,992
Exchange adjustment on consolidation	-	(15,472)	(15,472)
At 31 December 1995	<u>£142,599</u>	<u>£2,322,651</u>	<u>£2,465,250</u>

Company:

	Revaluation Reserve	Profit and Loss Account	Total
At 1 January 1995	433,599	1,406,839	1,840,438
Retained profit for the year	-	322,661	322,661
At 31 December 1995	<u>£433,599</u>	<u>£1,729,500</u>	<u>£2,163,099</u>

17. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

1994

	Group	Company	Group	Company
Profit for the year	487,421	428,090	458,410	338,965
Dividends	(105,429)	(105,429)	(126,804)	(126,804)
Exchange adjustment on consolidation	(15,472)	-	(33,166)	-
Net additions during the year	<u>366,520</u>	<u>322,661</u>	<u>298,440</u>	<u>212,161</u>
Shareholders' funds at 1 January 1995	<u>2,146,818</u>	<u>1,888,526</u>	<u>1,848,378</u>	<u>1,676,365</u>
Shareholders' funds at 31 December 1995	<u>£2,513,338</u>	<u>£2,211,187</u>	<u>£2,146,818</u>	<u>£1,888,526</u>

GRAYS OF CAMBRIDGE (INTERNATIONAL) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

18. RECONCILIATION OF OPERATING PROFIT
TO NET CASH INFLOW FROM OPERATING ACTIVITIES

		1994
Operating profit	457,456	372,818
Depreciation charges and adjustments on disposal	50,772	30,417
Fixed assets lost in fire written off	4,310	-
Exchange adjustment on dividend receivable	(407)	4,193
(Increase) in stocks	(40,617)	(407,483)
(Increase) in debtors	(101,788)	(119,555)
(Decrease) in creditors	(25,869)	337,286
Net cash inflow from operating activities	£343,857	£217,676

19. ANALYSIS OF CHANGES IN CASH AND CASH EQUIVALENTS
DURING THE YEAR

		1994
Balance at 1 January 1995	44,142	(84,187)
Net cash (outflow)/inflow	(9,971)	128,329
Balance at 31 December 1995	£34,171	£44,142

20. ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS
AS SHOWN IN THE BALANCE SHEET

	1995	1994	Change in the year
Cash at bank and in hand	126,503	104,822	21,681
Bank overdrafts	(92,332)	(60,680)	(31,652)
	£34,171	£44,142	£(9,971)

21. CAPITAL COMMITMENTS

		1994
Contracted but not provided for in the accounts	£213,941	£Nil

GRAYS OF CAMBRIDGE (INTERNATIONAL) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

22. PENSIONS

22.1 Defined contribution pension scheme

The company operates a defined contribution pension scheme in respect of the directors. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £2,624 (1994 £54,302).

22.2 Defined benefit pension scheme

The company operates a pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the company, being invested with insurance companies. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the company.

The contributions are determined by a qualified actuary on the basis of triennial valuations using the projected unit credit method, with a 15 year control period and exits from the scheme are assumed to be replaced by new entrants. The most recent valuation was at 1 July 1994.

The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increase in salaries and pensions. It was assumed that the investment returns would be 10% per annum, that salary increases would average 7.5% per annum and that present and future pensions would not be increased in payment.

The pension charge for the period was £50,162 (1994 £12,410). This included a reduction of £2,730 (1994 £2,730) in respect of the amortisation of experience surpluses that are being recognised over 11 years, the average remaining service lives of employees.

The most recent actuarial valuation showed that the premium value of the scheme's assets was £294,000 and that the actuarial value of those assets represented 159% of the benefits that had accrued to the members, after allowing for expected future increases in earnings. The contributions of the company and employees will remain at 8.7% and 3.0% of earnings respectively.

22.3 Former employees

Pensions are paid on a voluntary basis to former employees for whom adequate provision had not been made prior to retirement.

GRAYS OF CAMBRIDGE (INTERNATIONAL) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

23. OPERATING LEASE COMMITMENTS

At the balance sheet date the group had the following annual commitments under operating leases:

		1994
Leases expiring within one year	3,491	-
Leases expiring within two to five years	-	8,382
	<hr/>	<hr/>
	£3,491	£8,382
	<hr/>	<hr/>

24. DUTY DEFERMENT BONDS

The Group's bankers have recourse to the Group on a £100,000 Duty Deferment Bond.

25. RELATED PARTY TRANSACTIONS

The holding company trades with Gray Nicolls (Australia) Pty Limited, which is a company partially owned by some of the directors. There are numerous trading transactions between the two companies during the year.

At 31 December 1995 the company owed Gray Nicolls (Australia) Pty Limited £310.44. This amount is included in amounts due to group undertakings.