

Gillete Pakistan Limited

Annual Report 1998

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Gillette Pakistan Limited, formed in 1986, is a subsidiary of The Gillette Company, Headquartered in U.S.A. Founded in 1901. The Gillette Company is the world leader in male grooming, a category that includes blades, razors and shaving preparations. Gillette also holds the number one position world-wide in selected female grooming products, such as wet shaving products and hair epilation devices. The Company is the world's top seller of writing instruments and correction products, toothbrushes and oral care appliances. In addition, the Company is the world leader in alkaline batteries.

Gillette manufacturing operations are conducted at 64 facilities in 26 countries, and products are distributed through wholesalers, retailers and agents in over 200 countries and territories.

CORPORATE DATA

COMPANY SECRETARY

Asif S. Keshodia

AUDITORS

Taseer Hadi Khalid & Co., Chartered Accountants

LEGAL ADVISORS

Surridge & Beecheno

BANKERS

ABN-AMRO Bank
Citibank N.A.
American Express Bank
ANZ Grindlays Bank
Deutsche Bank
Habib Bank Limited

REGISTERED OFFICE

2nd Floor, Imperial Court Building,
Dr. Ziauddin Ahmed Road, Karachi.
Telephone: 5688930
Fax: 5680530

FACTORY

Plot No. G-I, Hub Industrial Trading Estate, Hub,
Telephone: (0202) 32326
Fax: (0202) 32611

BOARD OF DIRECTORS

*** Jamsheed R. Rahim**

Chairman

*** Muhammed Amin**

Chief Executive

*** Jose L. Ribera**

(Alternate Sanauallah Qureshi)

*** G.S. Gill**

(Alternate Asif S. Keshodia)

*** Andrew J. Redpath**

(Alternate Zafar A. Siddiqui)

*** Salim Adaya**

(Alternate Bashir Ismail)

*** Rashid Abdulla**

(Alternate Khalid Malik)

COMPANY MANAGEMENT

*** Muhammed Amin**

General Manager & Chief Executive

*** Asif S. Keshodia**

Director Finance & Company Secretary

*** Zafar A. Siddiqui**

Director Marketing

*** Irfan Ozturk**

Director Manufacturing

*** Muhammad Azhar Aqil**

Director Sales

*** Sohail Arif**

Director Human Resources

DIRECTORS' REPORT

The Directors of your Company take pleasure in presenting their Report and the Audited Accounts of the Company together with the Auditors' Report thereon for the year ended 31 December 1998. The Company's financial results are as follows:

	(Rupees in '000)
Year ended	Thirteen

	31 December 1998	months ended 31 December 1997
Profit before taxation	40,059	9,843
Taxation	4,456	3,445
Profit after taxation	35,603	6,398
Accumulated loss brought forward	(92,265)	(98,663)
Accumulated loss carried forward	(56,662)	(92,265)

The financial results of the Company for the year 1998, reflect a very strong performance. The Company achieved profit before tax of Rs. 40.1 million compared to Rs. 9.8 million last year. Profit after tax of Rs. 35.6 million is almost five times higher than 1997, this translates into significant increase in earning per share of Rs. 1.85 from Rs. 0.33 last year.

Despite difficult economic situation and adverse business conditions, the Company was able to grow its trading profit by 50% and the operating profit depicts an excellent growth of almost 100%. The trading margin improved to 39% of sales in 1998 from 32% of sales in 1997.

All this has come about due to the Company's focused efforts on the brand building of premium products. A significant growth has been achieved in the high margin products in domestic market resulting in both, sales growth and an improved sales mix. The other factors contributing in improved trading margins include rationalized import duty tariff rates and significant cost savings from various cost reduction projects.

Administrative and selling expenses at Rs. 114.4 million reflect an increase of 35% over last year. The major part of this increase comes from increase in our investment in advertising of our premium products **Gillette Blue II, Gillette Sensor Excel and Gillette Series**.

Financial expenses have shown a marked reduction of 17% in comparison to the last year. This is the result of improved cash generations resulting from higher turnover and better cash management.

MARKETING AND SALES

Sales for the year grew by 21% to Rs. 427.9 million. During the year, export sales were lower than last year by Rs. 45 million but our domestic sales growth more than compensated the export shortfall. Domestic sales at Rs. 404.3 million were 42% higher than last year. Our premium products **Gillette Blue II, Gillette Sensor Excel and Gillette Series** launched in 1997 have turned in an excellent performance.

Marketing and sales activities were further reinforced with strong franchise building programs. Focused marketing programs with heavy media support were successful in persuading a large number of users to upgrade their shaving standard by converting from old traditional shaving blades to our superior performance systems and disposables blade products.

During 1998, we have made a considerable progress in expanding distribution network. A significant amount was also invested in improving display of products particularly in the key outlets to support our brand building programs.

Gillette Blue II Long Handle, our growth driver continued reinforcing its growth trend with record unit shipments. Heavy media support throughout the year have significantly enhanced consumer demand resulting in expansion of disposable razors market segment and increase in our market share within the disposable segment.

In the systems segment, Gillette is the undisputed market leader. **Gillette Sensor**

Excel, the most technologically advanced shaving system available in the market reflects a dramatic growth in 1998.

In the double edge blades segment, we have also strengthened our position with the re-launch of **7 O'Clock** brand. The re-launch was supported by TV advertising and distribution expansion program.

FUTURE OUTLOOK

The year under review has been encouraging in every way. We expect to continue this trend by focusing around our key strategic objectives of building up a strong demand for our core products through effective advertising and widening of our distribution channels. We have successfully weathered the economic crises following the nuclear test. We hope that the Government efforts on economic and law and order fronts will be successful. Assuming consistency in the Government economic policies, improvement in law and order and stability in foreign currency exchange rates, our business is poised to achieve the current trend in sales and profitability.

YEAR 2000

All necessary arrangements have been made to face any potential threat that may arise due to millennium bug. All core software that were not Year 2000 compliant have been modified and it has been ensured that software are Year 2000 compliant.

HOLDING COMPANY

The Gillette Company, a company incorporated in the United States of America, is the holding company.

PATTERN OF SHAREHOLDING

The pattern of shareholding is given on page 26 of the Annual Report.

AUDITORS

The present auditors Messrs. Taseer Hadi Khalid & Co., Chartered Accountants, Karachi retire and being eligible, offer themselves for re-appointment.

We would like to thank the Company's employees for their tremendous efforts without which we would not have achieved these results. We would also like to thank our Shareholders for their continued support.

On behalf of the Board.

Muhammed Amin
Chief Executive

Karachi
11 February 1999

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Gillette Pakistan Limited as at 31 December 1998 and the related profit and loss account and statement of changes in financial position, together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and after due verification thereof, we report that:

a. in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;

b. in our opinion:

(i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance,

1984 and are in agreement with the books of account and are further in accordance with the 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 and the statement of changes in financial position, together with the notes forming part thereof, give the information required by the Companies Ordinance, 1984 in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 31 December 1998 and of the profit and the changes in financial position for the year then ended; and

d. in our opinion, no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

TASEER HADI KHALID & CO.
Chartered Accountants

Karachi
11 February 1999

BALANCE SHEET

As at 31 December 1998

	Note	1998 Rupees in '000	1997
SHARE CAPITAL AND RESERVES			
Authorised share capital 20,000,000 ordinary shares of Rs. 10 each		200,000 =====	200,000 =====
Issued, subscribed and paid-up share capital	3	192,000	192,000
Accumulated loss		(56,662) -----	(92,265) -----
LONG-TERM LOANS - unsecured	4	135,338	99,735
CURRENT LIABILITIES		-	22,750
Current maturity of long-term loans		-	45,500
Short-term finances	5	73,200	20,122
Creditors, accrued expenses and other liabilities	6	81,715 -----	45,486 -----
CONTINGENCIES AND COMMITMENTS	7	154,915 -----	111,108 -----
		290,253 =====	233,593 =====

TANGIBLE FIXED ASSETS

Operating fixed assets	8	85,613	84,990
Capital work-in-progress		120	50
		-----	-----
		85,733	85,040
LONG-TERM DEPOSITS	9	1,403	1,261
CURRENT ASSETS			
Stores and spares	10	5,145	4,693
Stock-in-trade	11	98,437	64,880
Trade debts - unsecured considered good	12	52,332	45,278
Advances, deposits, prepayments and other receivables	13	27,394	18,328
Taxation - net		14,316	12,726
Cash and bank balances	14	5,493	1,387
		-----	-----
		203,117	147,292
		-----	-----
		290,253	233,593
		=====	=====

These accounts should be read in conjunction with the attached notes.

Muhammed Amin
Chief Executive

Sanauallah Qureshi
Director

PROFIT AND LOSS ACCOUNT

For the year ended 31 December 1998

	Note	For the year ended 31 December 1998	Thirteen months ended 31 December 1997
Rupees in '000			
Sales- net	15	427,856	353,271
Cost of goods sold	16	(260,073)	(241,596)
		-----	-----
Trading profit		167,783	111,675
Administrative and selling expenses	17	(114,418)	(84,666)
		-----	-----
Operating profit		53,365	27,009
Financial expenses	18	(15,836)	(19,157)
		-----	-----
		37,529	7,852
Other income	19	4,638	2,509
Workers' profits participation fund		(2,108)	(518)
		-----	-----
Profit before taxation		40,059	9,843
Taxation - current	20	(4,456)	(3,445)

Profit after taxation	35,603	6,398
Accumulated loss brought forward	(92,265)	(98,663)
Accumulated loss carried forward	(56,662)	(92,265)
	=====	=====

These accounts should be read in conjunction with the attached notes.

Muhammed Amin
Chief Executive

Sanaullah Qureshi
Director

STATEMENT OF CHANGES IN FINANCIAL POSITION

For the year ended 31 December 1998

	Note	For the year ended 31 December 1998	Thirteen months ended 31 December 1997
Rupees in '000			
Cash flows from operating activities			
Cash generated from operations	21	54,473	(14,396)
Financial expenses paid		(14,513)	(8,237)
Taxes paid		(6,046)	(8,405)
Long-term deposits		(142)	(61)
		-----	-----
Net cash inflow/(outflow) from operating activities		33,772	(31,099)
Cash flows from investing activities			
Capital expenditure incurred		(17,486)	(16,598)
Capital work-in-progress		(70)	(50)
Sale proceeds from disposal of operating fixed assets		3,062	39,674
Profit on bank deposits received		-	53
		-----	-----
Net cash (outflow)/inflow from investing activities		(14,494)	23,079
Cash flows from financing activities			
Long-term loan less repayments		(68,250)	1,308
		-----	-----
Net decrease in cash and cash equivalents		(48,972)	(6,712)
Cash and cash equivalents at the beginning of the year/period		(18,735)	(12,023)
		-----	-----
Cash and cash equivalents at the end of the year/period	22	(67,707)	(18,735)
		=====	=====

Muhammed Amin
Chief Executive

Sanaullah Qureshi
Director

NOTES TO THE ACCOUNTS

For the year ended 31 December 1998

1. STATUS AND NATURE OF BUSINESS

Gillette Pakistan Limited was incorporated on 09 December 1986 as a public limited company under the Companies Ordinance, 1984 and was listed on Karachi Stock Exchange (Guarantee) Limited and Lahore Stock Exchange (Guarantee) Limited. Its principal activities are manufacturing of double edge blades, assembling of disposables and import of personal care products, dental care products and alkaline batteries.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Accounting convention

These accounts have been prepared under the historical cost convention.

2.2 Staff retirement benefits

Defined benefit plan

The Company operates an approved funded pension fund scheme for all its employees subject to prescribed qualifying age limit. Contributions are made monthly to the fund on the basis of actuarial recommendations at the rate of 9.57 per cent of basic salaries of employees. An actuarial valuation is performed once in every three years and the most recent actuarial valuation was carried out on 31 December 1997. The actuarial valuation was carried out using "Entry Age Normal (EAN) Actuarial Cost Method". At latest actuarial valuation date, the fair value of the fund's assets was Rs. 14.235 million and the estimated EAN liability was Rs. 12.941 million. Main valuation assumptions used for actuarial valuation were as under:

- Expected rate of increase in salaries is 14 per cent per annum.

- Expected rate of return on investment is 14 per cent per annum.

Defined contribution plan

The Company operates an approved funded provident fund scheme for all its permanent employees. Equal monthly contributions are made, both by the Company and its employees, to the fund at the rate of 10 per cent of basic salaries of employees.

2.3 Taxation

Current

The charge for current taxation is based on taxable income at the current rates of taxation or tax determined under 'presumptive tax' basis under section 80(c) and 80(cc) of the Income Tax Ordinance, 1979.

Deferred

The Company accounts for deferred taxation using the liability method on all major timing differences. However, deferred tax debits are not accounted for.

2.4 Tangible fixed assets and depreciation

The cost of tangible fixed assets is depreciated over the useful life of related assets under the straight line method, except for leasehold land and capital work-in-progress which are stated at cost. Gains and losses on disposal of assets are included in income currently. Maintenance and normal repairs are charged to income as and when incurred. Major renewal and improvements are capitalised and assets so replaced, if any, are retired.

2.5 Stores and spares

These are valued at cost determined on first-in, first-out basis.

2.6 Stock-in-trade

All stocks are stated at the lower of their costs and estimated net realisable values. Costs are determined by using the first-in, first-out method except for goods-in-transit which are stated at the invoiced values and other charges incurred. Costs relating to work-in-process and finished goods include proportionate production overheads. Net realisable value signifies the estimated selling price in the ordinary course of business less costs necessarily to be incurred in order to make the sale.

2.7 Trade debts

Debts considered irrecoverable are written off and provision is made against those considered doubtful of recovery.

2.8 Foreign currency translation

Foreign currency transactions, including forward foreign exchange contracts, are translated into Pakistani Rupees at the rates of exchange prevailing on the date of transaction. Assets and liabilities in foreign currencies, including forward foreign exchange contracts, at the year end are translated into Pakistani Rupees at the composite rates of exchange prevailing at the balance sheet date. Exchange gains and losses are included in the profit and loss account currently. The premium on forward foreign exchange contract is being expensed over the maturity of the forward contract.

2.9 Revenue recognition

Sales are recognised on the despatch of goods to customers.

1998 1997
Rupees in '000

3. ISSUED, SUBSCRIBED AND PAID-UP

SHARE CAPITAL

15,936,000 Ordinary shares of Rs. 10 each fully paid in cash	159,360	159,360	
3,264,000 Ordinary shares of Rs. 10 each issued for consideration other than cash	32,640	32,640	
-----	-----	-----	
19,200,000	192,000	192,000	
=====	=====	=====	

Of the above, 14,739,004 (1997: 14,686,504) ordinary shares are held by The Gillette Company, USA and its nominees.

1998 1997
Rupees in '000

4. LONG-TERM LOANS- unsecured

As at 31 December		25,388	68,250
Current maturity	5.1	(25,388)	(45,500)
		-----	-----
		-	22,750
		=====	=====

1998 1997
Rupees in '000

5. SHORT-TERM FINANCES

Foreign currency loan-unsecured	5.1	25,388	-
Running finances-secured	5.2	39,312	4,622
Export refinances-secured	5.3	8,500	15,500
		-----	-----
		73,200	20,122
		=====	=====

5.1 This represents an unsecured foreign currency loan of USD 500,000 obtained from The Gillette Company, USA (parent company) and carries mark-up at the rate of six months LIBOR plus 25 basis points payable on half yearly basis. The foreign currency loan, which was classified as current maturity of long-term loan in 1997, has been renewed for one year and will mature on 21 November 1999.

5.2 This represents running finance facilities obtained from commercial banks and carry mark-up at rates ranging from 13.5 per cent to 14 per cent per annum payable on quarterly basis. The facilities are repayable by 28 July and 30 September 1999.

5.3 This represents export refinances obtained from a commercial bank and carries mark-up at the rate of 8 per cent per annum payable on quarterly basis. The refinances are for 150 days and will mature from 21 January to 24 April 1999.

5.4 As at 31 December 1998, outstanding letters of credit were Rs. 25.365 million (1997: Rs. 18.361 million) and outstanding letters of guarantee were Rs. 14.188 million (1997: Rs. 10.270 million).

5.5 All the above facilities, other than foreign currency loan, are secured by letter of comfort issued by The Gillette Company, USA (parent company) and their combined sanctioned limit is Rs. 125 million (1997: Rs. 85 million).

1998 1997
Rupees in '000

6. CREDITORS, ACCRUED EXPENSES AND OTHER LIABILITIES

Trade creditors	6.1	48,365	23,345
Accrued expenses		16,772	13,420
Accrued mark-up on long-term loans		-	1,963
Accrued mark-up on foreign currency loan		1,760	-
Accrued mark-up on running finances		1,944	164
Accrued mark-up on export refinances		142	396
Advance from customers		46	1,492
Sales tax payable		5,088	379
Workers' profits participation fund	6.2	2,108	518
Provision against sales tax demand notice		3,167	3,689
Others		2,323	120
		-----	-----
		81,715	45,486
		=====	=====

6.1 This includes amount of Rs. 43.864 million (1997: Rs. 21.482 million) payable to associated companies on account of imports made during the year.

1998 1997
Rupees in '000

6.2 Workers' profits participation fund

Balance at the beginning of the year/period	518	285
Allocation for the year/period	2,108	518
	-----	-----
	2,626	803
Deposited with treasury	(518}	(285)
	-----	-----
Balance at the end of the year/period	2,108	518
	=====	=====

7. CONTINGENCIES AND COMMITMENTS

7.1 The sales tax authorities had raised a demand notice for recovery of sales tax, additional tax and surcharge for Rs. 7.2 million against the Company in 1994. The demand relates to adjustment of input tax on raw materials used in the manufacture of goods exported. The Company has disputed the contention of the Additional Collector Sales Tax and filed an appeal against the order of the sales tax authorities with the Collector of Sales Tax (Appeals) which was decided against the Company. The Company has subsequently filed an appeal with the Customs, Excise and Sales Tax Appellate Tribunal. The Company has a provision of Rs. 3.167 million (1997: Rs. 3.7 million) in the books against this claim. The lawyer engaged by the Company to contest this case has confirmed that on the merits of the case the Company is likely to get a favourable decision. A bank guarantee of Rs. 7.2 million which was issued in favour of the sales tax authorities has been renewed in the current period. This guarantee cannot be presented for encashment by the authorities unless the Company has fully exhausted all the remedies available to it under the Sales Tax Act, 1990.

7.2 The sales tax authorities have also raised demand notices for recovery of sales tax of Rs. 2.8 million against the Company in 1996 relating to adjustment of input tax on consumable stores and spare parts. The Company has filed appeals against the above demands and the sales tax lawyers of the Company are confident of a favourable outcome of the Company's appeals, therefore no provision has been made against the above demands.

7.3 Commitments in respect of capital expenditure amount to Rs. 3.418 million (1997: Rs. 2.988 million)

7.4 The Company has entered into forward foreign exchange contracts, which are due by next year, with principal sums amounting to equivalent Rs. 63.825 million translated at the composite rates of exchange prevailing at the balance sheet date to hedge outstanding letters of credit, import contracts and foreign currency loan. Unamortised premium at balance sheet date arising from these contracts, which will be charged to profit and loss account in the subsequent year, amounted to Rs. 0.791 million. As at 31 December 1998, outstanding import contracts amounted to equivalent Rs. 13.072 million translated at the composite rates of exchange prevailing at the balance sheet date.

7.5 Commitments for rentals under lease agreements for motor vehicles are as follows:

	1998	1997
	Rupees in '000	
1998	-	904
1999	481	481
2000	25	25

8. OPERATING FIXED ASSETS - at cost less accumulated depreciation

Rupees in '000

	COST				Rate %	DEPRECIATION				Written down value as at 31 December 1998
	As at 01 January 1998	Additions	(Disposals)	As at 31 December 1998		As at 01 January 1998	For the year	(Disposals)	As at 31 December 1998	
Lease hold land	3,267	-	-	3,267	-	-	-	-	-	3,267
Building on leasehold land	21,699	90	-	21,789	5	9,249	1,087	-	10,336	11,453
Plant and machinery	126,949	4,916	-	131,865	5 - 14	81,595	6,415	-	88,010	43,855
Furniture and fixtures	1,400	(3)	-	3,431	6.67	951	184	(2)	1,133	2,298
Office equipment and computer software	23,049	6,109	(416)	28,742	6.67-20	9,592	3,516	(228)	12,880	15,862
Motor vehicles	12,513	3,859	(4,789)	11,583	20	3,513	2,395	(1,823)	4,085	7,498
Forklift	1,130	1,112	-	2,242	14	751	111	-	862	1,380
1998	198,641	17,486	(5,208)	202,919		105,651	13,708	(2,053)	117,306	85,613
1997	232,515	16,598	(58,472)	190,641		111,223	13,547	(19,119)	105,651	84,990

8.1 Disposals of operating fixed assets

Description	Mode of disposal	Cost	Accumulated depreciation	Book value	Sale proceeds	Gain/ (loss)	Particulars of buyers
Air conditioner	Tender	29	24	5	12		7Mrs. Arena Mumtaz - Employee
Air conditioner	Tender	21	8	13	5		(8)Mr. Javed Farooqui - Employee
Air conditioner	Tender	21	8	13	4		(9)Mr. Altar Hussain - Employee
Air conditioner	Tender	21	8	13	3		(10)Mr. Altar Hussain - Employee
Air conditioner	Tender	21	8	13	8		(5)Mr. Shabbir Ali - Employee
Air conditioner	Tender	43	16	27	5		(22)Mr. Altaf Hussain - Employee
Cooking range	Tender	31	12	19	9		(10)Ms. Loisa Noronha - Anthonian Blessings, Civil Lines, Karachi
Dish washer	Tender	22	9	13	4		(9)Mr. Riaz Kazim - Employee
Television	Tender	25	12	13	10		(3)Mr. Mohd. Ali - M/3, Bantwa Town, F.B. Area, Karachi
VCR	Tender	11	5	6	6		-Mr. Ashfaq Ahmed - 101, Alamgir Pride, K.M.C.H.S., Karachi
Clothes dryer	Tender	18	7	11	4		(7)Mr. Riaz Kazim - Employee
Refrigerator	Tender	17	6	11	7		(4)Mr. Javed Farooqui - Employee
Deep freezer	Tender	9	3	6	5		(1)Mr. Shabbir Ali - Employee
Washing machine	Tender	16	2	14	9		(5)Mr. Altaf Hussain - Employee
Other equipment with book value below Rs.5,000	Tender	112	100	12	84		72Various employees
Cherokee Jeep	Tender	2,830	1,366	1,464	1,297		(167)Mr. Muhammad Tariq - Gulshan-e-Iqbal, Karachi
Suzuki Margalla	Negotiation	492	205	287	287		-Ms. Uzma- C-34, Dhoraji Colony, Karachi
Suzuki Khyber	Tender	392	20	372	359		(13)Saudi Pak Leasing Company Ltd.
Toyota Corolla	Tender	682	193	489	583		94Mr. Siraj Ahmed - B/24,

Suzuki Khyber	Insurance Claim	392	39	353	360	7 EFU General Insurance Co. Ltd.
Furniture	Tender	3	2	1	1	-Mr. Altaf Hussain - Employee
	1998	5,208	2,053	3,155	3,062	(93)
	1997	58,472	19,119	39,353	39,674	321

1998 1997
Rupees in '000

9. LONG-TERM DEPOSITS

Lease key money	763	763
Utility deposits	532	408
Others	108	90
	-----	-----
	1,403	1,261
	=====	=====

10. STORES AND SPARES

Stores	87	127
Spares	5,058	4,566
	-----	-----
	5,145	4,693
	=====	=====

11. STOCK-IN-TRADE

Raw and packing material	40,498	40,590
Goods-in-transit	26,938	5,763
Work-in-process	1,279	1,373
Finished goods	29,722	17,154
	-----	-----
	98,437	64,880
	=====	=====

12. TRADE DEBTS- unsecured considered good

This includes Rs. 51.187 million receivable from an associated company (1997: Rs. 45.278 million). The maximum amount due at the end of any month from associated company during the year was Rs. 54.181 million (1997: Rs. 63.772 million).

1998 1997
Rupees in '000

**13. ADVANCES, DEPOSITS, PREPAYMENTS
AND OTHER RECEIVABLES**

Advances - considered good		
Employees	13.1	53 111
Suppliers		3,681 1,078
Others		37 33
Deposits		1,424 3,503
Prepayments		2,209 416
Other receivables		
Insurance claims receivable		237 -
Margin on letters of credit		10,590 -
Receivables from associated companies	13.2	835 2,531

Sales tax	-	2,679
Export rebate receivable	835	1,895
Refunds due from custom authorities	3,152	3,152
Others	4,341	2,930
	-----	-----
	27,394	18,328
	=====	=====

13.1 The maximum aggregate amount of advances due at the end of any month during the year:

	1998	1997
	Rupees in '000	
- From the chief executive	48	380
	=====	=====
- From executives	1,765	724
	=====	=====

13.2 The maximum aggregate amount receivable from associated companies at the end of any month during the year was Rs. 4.627 million (1997: Rs. 4.170 million).

	1998	1997
	Rupees in '000	
14. CASH AND BANK BALANCES		
Cash with banks on current account	5,307	1,234
Cash in hand	80	80
Cheques in hand	106	73
	-----	-----
	5,493	1,387
	=====	=====

**For the Thirteen
year ended months ended
31 December 31 December
1998 1997
Rupees in '000**

	1998	1997
	Rupees in '000	
15. SALES - net		
Local	404,321	285,196
Export	24,406	69,356
	-----	-----
	428,727	354,552
Discounts given	(871)	(1,281)
	-----	-----
	427,856	353,271
	=====	=====

**For the Thirteen
year ended months ended
31 December 31 December
1998 1997
Rupees in '000**

	1998	1997
	Rupees in '000	
16. COST OF GOODS SOLD		
Raw and packing material consumed	146,097	164,963
Stores and spares consumed	7,260	6,896

Salaries, wages and other benefits	18,480	24,629
Pension fund contribution	535	531
Provident fund contribution	634	613
Rent, rates and taxes	728	307
Insurance	357	407
Fuel and power	5,824	6,977
Printing and stationery	143	486
Communication	568	598
Travelling and conveyance	302	1,582
Motor vehicles maintenance	3,226	3,803
Security and safety	516	367
Depreciation	8,550	9,259
Repairs and maintenance	512	479
Legal and professional	541	273
Others	1,281	821
Opening stock of work-in-process	1,373	682
Closing stock of work-in-process	(1,279)	(1,373)
	-----	-----
Cost of goods manufactured	195,626	222,300
Opening stock of finished goods	17,154	6,901
Purchases of finished goods	81,578	39,890
	-----	-----
	294,358	269,091
Cost of goods issued for sampling and placement of stocks	(3,545)	(3,033)
Export rebate	(1,018}	(7,308)
Closing stock of finished goods	(29,722}	(17,154)
	-----	-----
	260,073	241,596
	=====	=====

**For the Thirteen
year ended months ended
31 December 31 December
1998 1997
Rupees in '000**

**17. ADMINISTRATIVE AND
SELLING EXPENSES**

Salaries, wages and other benefits	27,915	20,563
Pension fund contribution	901	641
Provident fund contribution	986	680
Travelling and conveyance	8,128	7,573
Rent, rates and taxes	1,616	1,849
Insurance	197	191
Repairs and maintenance	364	577
Printing and stationery	1,302	542
Communication	3,097	2,792
Advertising and sales promotion	51,511	29,126
Sales conference and salesmen incentives	908	1,685
Depreciation	5,158	4,288
Motor vehicles maintenance	2,613	2,542
Lighting, heating and cooling	1,585	1,297
Auditors' remuneration	17.1 166	238
Legal and professional	1,452	553
Freight and forwarding	2,163	7,821

Professional tax	75	81
Others	4,281	1,627
	-----	-----
	114,418	84,666
	=====	=====

17.1 Auditors' remuneration

Audit fee	120	100
Special reports and sundry advisory services	31	123
Out of pocket expenses	15	15
	-----	-----
	166	238
	=====	=====

18. FINANCIAL EXPENSES

Mark-up on long-term loans	-	5,603
Mark-up on foreign currency loan	2,408	
Mark-up on running finances	3,833	2,098
Mark-up on export refinances	984	1,529
Excise duty	-	122
Bank charges	397	391
Exchange loss	2,398	2,748
Premium on forward foreign exchange contracts	5,816	6,666
	-----	-----
	15,836	19,157
	=====	=====

**For the Thirteen
year ended months ended
31 December 31 December
1998 1997
Rupees in '000**

19. OTHER INCOME

Interest income	4,651	1,995
(Loss)/profit on sale of operating fixed assets	(93)	321
Insurance commission	72	84
Profit on bank deposits	-	50
Others	8	59
	-----	-----
	4,638	2,509
	=====	=====

20. TAXATION

- The charge for current taxation is based on presumptive tax basis under section 80C (commercial imports) and section 80CC (export sales) of the Income Tax Ordinance, 1979 (Ordinance). However, provision for tax on other income assessable under normal provisions of the Ordinance has not been made in view of unused tax loss (unabsorbed tax depreciation) of Rs. 115.816 million brought forward from previous years.

- The income tax assessments of the Company have been finalised upto and including assessment year 1995-96 (income year ended 30 November 1994), except for assessment year 1989-90 (income year ended 30 November 1988). Appeals for assessment years 1991-92, 1992-93 and 1995-96 are pending before various

appellate authorities against which full tax provision has been made.

- At 31 December 1998, no accrual for deferred tax liability has been made in these accounts due to carry forward of unused tax loss.

For the Thirteen
year ended months ended
31 December 31 December
1998 1997
Rupees in '000

21. CASH GENERATED FROM OPERATIONS

Profit before taxation	40,059	9,843
Adjustment for non cash charges and other items:		
Depreciation	13,708	13,547
Loss/(profit) on sale of operating fixed assets	93	(321)
Profit on bank deposits	-	(50)
Financial expenses	15,836	9,743
Working capital changes	21.1 (15,223)	(47,158)
	-----	-----
	54,473	(14,396)
	=====	=====

For the Thirteen
year ended months ended
31 December 31 December
1998 1997
Rupees in '000

21.1 Working capital changes

(Increase)/decrease in current assets

Stores and spares	(452)	169
Stock-in-trade	(33,557)	(24,356)
Trade debts	(7,054)	(23,029)
Advances, deposits, prepayments and other receivables	(9,066)	(3,906)
	-----	-----
	(50,129)	(51,122)

Increase/(decrease) in current liabilities

Creditors, accrued expenses and other liabilities	34,906	3,964
	-----	-----
	(15,223)	(47,158)
	=====	=====

1998 1997
Rupees in '000

22. CASH AND CASH EQUIVALENTS

Cash and bank balances	5,493	1,387
Short-term finances	(73,200)	(20,122)
	-----	-----
	(67,707)	(18,735)
	=====	=====

**For the Thirteen
year ended months ended
31 December 31 December
1998 1997
Rupees in '000**

**23. TRANSACTIONS WITH
ASSOCIATED COMPANIES**

Sale of goods	262,084	351,071
	=====	=====
Interest income	4,651	1,995
	=====	=====
Purchases made	148,398	63,810
	=====	=====
Warehousing charges	-	7,097
	=====	=====
Interest expenses	2,408	5,603
	=====	=====

**24. REMUNERATION OF CHIEF EXECUTIVE,
DIRECTORS AND EXECUTIVES**

The aggregate amount charged in the accounts for the year for remuneration, including certain benefits to the chief executive and executives of the Company, are as follows:

	For the year ended 31 December 1998		Thirteen months ended 31 December 1997	
	Chief Executive	Executives	Chief Executive	Executives
	Rupees in '000			
Managerial remuneration	1,132	13,570	515	11,712
Bonus	1,319	438	-	1,616
Sales incentives	-	196	-	200
Tax reimbursements	-	413	160	637
Housing	510	5,949	726	5,373
Conveyance allowance	-	813	-	685
Utilities	113	1,357	52	1,153
Medical expenses	109	730	-	876
Leave fare assistance	42	760	482	440
Schooling and club membership	135	181	106	122
Retirement benefits	222	2,021	36	1,753
	-----	-----	-----	-----
	3,582	26,428	2,077	24,567
	=====	=====	=====	=====
	1	48	1	42
	=====	=====	=====	=====

The aggregate amount of fee paid to three non salaried directors was Rs. 5,000 (1997: Rs. 5,000)

The chief executive and certain executives of the Company were also entitled to free use of the Company maintained cars.

5. CONCENTRATION OF CREDIT RISK

Trade debts of Rs. 51.187 million (1997: Rs. 45.278 million) are receivable from a single customer (an associated company). The customer is a major distributor of the Company's products in Pakistan.

6. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of all financial instruments is estimated to approximate their carrying value.

27. INTEREST RATE RISK

The information about the exposure of the Company to interest rate risk as at 31 December 1998 based on contractual repricing or maturity dates, whichever is earlier, is as follows:

	Rupees in '000			
	Less than one year	Over one year	Non interest bearing	Total
Long-term deposits	-	-	1,403	1,403
Trade debts	15,660	-	36,672	52,332
Advances, deposits and other receivables	-	-	25,185	25,185
Taxation	-	-	14,316	14,316
Cash and bank balances	-	-	5,493	5,493
	-----	-----	-----	-----
	15,660	-	83,069	98,729
Short-term finances	(73,200)	-	-	(73,200)
Creditors, accrued expenses and other liabilities	-	-	(81,669)	(81,669)
	-----	-----	-----	-----
	(73,200)	-	(81,669)	(154,869)
On balance sheet gap	(57,540)	-	1,400	(56,140)
	=====	=====	=====	=====
Interest rate risk gap	(57,540)	-	-	(57,540)
	=====	=====	=====	=====

The effective interest rates as at 31 December 1998 for financial instruments are as follows:

Assets

Trade debts - overdues 20.00 per cent

Liabilities

Foreign currency loan 5.37 per cent
 Running finances 13.50 - 14.00 per cent
 Export refinances 8.00 per cent

For the	Thirteen
year ended	months ended
31 December	31 December
1998	1997
Quantity in million	

28. CAPACITY

Double edge blades

Rated capacity (on double shift basis) 110 110

Production	119	169
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29. GENERAL

29.1 Figures have been rounded off to the nearest thousand rupees.

29.2 Figures of the previous year have been rearranged, wherever necessary, to facilitate comparison.

Muhammed Amin
Chief Executive

Sanaullah Qureshi
Director

PATTERN OF HOLDING OF SHARES HELD BY THE SHAREHOLDERS

As at 31 December 1998

No. of Shareholders	Shareholding		Total Shares Held
	From	To	
852	1	100	84,800
366	101	500	104,400
65	501	1,000	52,500
78	1,001	5,000	190,500
14	5,001	10,000	106,000
7	10,001	15,000	76,300
5	15,001	20,000	88,200
3	20,001	25,000	67,800
1	25,001	30,000	30,000
2	35,001	40,000	77,400
1	50,001	55,000	50,400
1	70,001	75,000	70,200
1	85,001	90,000	89,800
1	110,001	115,000	112,000
1	215,001	220,000	215,200
1	275,001	280,000	277,000
1	2,765,001	2,770,000	2,768,500
1	14,735,001	14,740,000	14,739,000
-----			-----
1,401			19,200,000
=====			=====

CATEGORIES OF SHAREHOLDERS

As at 31 December 1998

Categories of shareholders	Number	Shares Held	Percentage
1. Joint stock companies	3	3,500	0.02
2. Financial institutions	-	-	-
3. Holding companies	1	14,739,000	76.77
4. Modaraba companies	1	277,000	1.44
5. Insurance companies	-	-	-
6. Investment companies	4	279,300	1.45
7. Individuals	1,392	3,901,200	20.32
8. Associated companies	-	-	-
9. Foreign investors	-	-	-

10. Others	-	-	-
	-----	-----	-----
	1,401	19,200,000	100.00
	=====	=====	=====

NOTICE OF MEETINGS

Notice is hereby given that the Twelfth Annual General Meeting of Gillette Pakistan Limited will be held at Dinshaw Mahal, Avari Towers, Fatima Jinnah Road, Karachi on Tuesday, March 16, 1999 at 10:30 a.m. to transact the following business:

ORDINARY BUSINESS

1. To confirm the minutes of the Eleventh Annual General Meeting held on March 27, 1998.
2. To receive, consider and adopt the audited accounts of the Company for the year ended 31 December 1998, together with the Auditors' and Directors' Reports thereon.
3. To appoint auditors for the year ending 31 December 1999 and fix their remuneration. Messrs. Taseer Hadi Khalid & Co., Chartered Accountants, the present auditors retire and, being eligible, offer themselves for re-appointment.

By Order of the Board

Asif S. Keshodia
Company Secretary

Karachi
February 22, 1999

NOTES

1. The Share Transfer Book of the Company will remain closed from March 9, 1999 to March 16, 1999 (both days inclusive).
2. A Member entitled to attend, speak and vote at the Meeting shall be entitled to appoint another person as his/her proxy to attend, speak and vote instead of him/her, and a proxy so appointed shall have such right with respect to attending, speaking and voting at the Meeting as are available to a Member.
3. The instrument appointing a proxy together with the power of attorney (if any) or other authority, under which it is signed or a notarially certified copy thereof should be deposited at the registered office of the Company not less than 48 hours before the time of holding the Meeting.
4. Members are requested to communicate to the Company any change in their addresses.