

GILLETTE PAKISTAN LIMITED

ANNUAL REPORT 1997

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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

Gillette Pakistan Limited is a subsidiary of The Gillette Company, USA, a \$ 10 billion global marketer of premium quality products for personal care and personal use. Gillette has always been positioned at the top of the global shaving products market, and also holds leadership positions in the global writing instruments and several personal care and oral care markets. Recently the Company acquired Duracell, the world's leading seller of alkaline batteries. With this acquisition, Gillette has entered the consumer battery industry, widely believed to offer superior growth potential.

Gillette products have been marketed in the South Asia region since 1913. However, Interpak Shaving Products Limited, a subsidiary of The Gillette Company, started to manufacture in Pakistan in 1989. With the increase of Gillette's shareholding to 75%, the Company was renamed "Gillette Pakistan Limited" in- 1994. Over the years, the Gillette range of products in the country has diversified and grown, and today Gillette Pakistan is successfully marketing a complete line of shaving systems, disposable razors, double edge blades, personal and oral care products and, most recently, high-performance batteries.

In the period under review, Gillette Pakistan Limited successfully launched the top-of-the-line

Gillette Sensor Excel - a revolutionary new shaving system. The success of this product is evident from the increase in sales figures since its launch in the country. In the disposable razor segment, the Company continues to lead the market with Gillette Blue II Long Handle and 7 O'clock II razors. Since its launch in 1996, the Gillette Blue II razor has played a pivotal role in expanding the market and has established itself as a powerful brand. The 7 O'clock Platinum and 7 O'clock Stainless blades in the double edge blades segment continued to enjoy their position at the top end of the premium double edge blade market.

In the current year, Gillette Pakistan Limited, with a view to expanding its personal care business, launched the Gillette Series range of men's shaving preparations and personal care products in two different fragrances. The product launches were supported by marketing efforts both in electronic and print media, as well as point-of-sale displays.

In the dental care market, Gillette Pakistan, with its range of Oral-B products, sustained and enhanced its position, through a strategy aimed at promoting product awareness among dental professionals.

After Gillette's acquisition of Duracell at the end of 1996, Gillette Pakistan launched during 1997, Duracell PowerCheck battery, a premium product in the alkaline battery market that is expected to rapidly become the brand leader in the alkaline battery segment of the country.

The Company also initiated a mega-campaign for retail and wholesale dealers in support of World Cup Football 1998, an international sporting event being sponsored by The Gillette Company. Through the campaign, the Company awarded prizes to the winning entries, in which seven successful traders are being flown to France for the World Cup finals in Paris.

Gillette Pakistan is committed to the corporate mission, which places an emphasis on leadership, and the corporate values of human resource excellence, customer focus and good citizenship. Total Quality Management supported by employee participation focuses on core business values at Gillette- exemplified by an open-door system of management and the presence of quality action teams.

Gillette Pakistan is aware of its obligations as a responsible corporate citizen and has developed a program that covers the Company's planned initiatives in the field of education and health. The Company is committed to environmentally friendly production processes, including treating and recycling effluent waste water, encouraging use of recycled material, and reducing the emission of environmentally hazardous materials.

Gillette Pakistan is conscious of its responsibilities to all its stakeholders. The Company is poised to enter the next millennium with a commitment to grow and enhance its business profitability and to actively work towards community development.

Directors' Report

The Directors of your Company are pleased to present their Report and the Audited Accounts of the Company together with the Auditors' Report thereon for the thirteen months period ended on December 31, 1997. The Company's financial results are as follows:

(Rupees in Thousand)
Thirteen mon Year ended
ended Decemb November 30,
31, 1997 1996

Profit before taxation	9,843	5,317
Taxation	3,445	1,283
Profit after taxation	6,398	4,034
Accumulated loss brought forward	(98,663)	(102,697)
Accumulated loss carried forward	(92,265)	(98,663)

Total sales increase in profit before tax.

A detailed review of the current period results as well as future outlook is included in the accompanying Chairman's review.

Change of Financial Year

Your Company has changed its financial year from year ending November 30 to year ending December 31, effective 1997. Consequently, the accounts for 1997 are drawn up for a period of thirteen months from December 1, 1996 to December 31, 1997. The change has been brought to bring the Company's financial year in line with the financial year of its parent company.

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 30 of the Annual Report.

Auditors

The Gillette Company, USA, majority Shareholder, has given notice under Section 253 of the Companies Ordinance, 1984 for the appointment of Messrs. Taseer Hadi Khalid & Co., Chartered Accountants, Karachi to be the Auditors of the Company for the year ending December 31, 1998 in place of retiring Auditors Messrs. A. F. Ferguson & Co., Karachi.

Chairman's Review

It is a great pleasure to welcome you to the Eleventh Annual General Meeting of the Company and to report the Company's performance for the thirteen months period ended on December 31, 1997.

BOARD OF DIRECTORS

During the period under review Mr. Muhammed Amin was appointed as Chief Executive of the Company in place of Mr. Amar Sferi. Mr. Sferi has moved to another Gillette operation. The Board congratulates Mr. Amin on his appointment and places on record its appreciation for the valuable services rendered by Mr. Sferi.

SALES AND MARKETING

1997 has been a year of achievements. Sales at Rs. 353.3 million witnessed growth of 45%, with both- domestic and export sales recorded an impressive increase. During the period the Company launched Gillette's top of the line shaving system Gillette SensorExtel. The Gillette Series range of shaving preparations and personal care items and a range of Duracell batteries were also launched during 1997. The launch of Gillette SensorExcel further enhanced the growth of the shaving systems segment and strengthened our brand leadership within the category.

The disposable razors segment also experienced strong growth because of the enhanced sales performance recorded by the new and improved Gillette Blue II Long Handle disposable razor. The brand supported by an aggressive marketing program continued to enjoy consumer and trade preference, maintaining its leadership position and contributing substantially to the sales and profit growth of the Company. However, while the premium double-edged blade category showed increase in sales, the low-priced blade recorded relatively lower sales compared to last year mainly due to the influx of smuggled blades.

The sales of the oral care segment recorded increased growth in 1997 as a result of distribution expansion, in-store displays and dentists' detailing.

The Company also successfully launched Duracell batteries, a top of the line alkaline battery cell acquired by The Gillette Company, in 1997.

FINANCIAL

Profit before taxes at Rs. 9.8 million recorded an increase of 85% over last year. Trading profit at Rs. 11.2 million also went up by 87% over 1996. Trading margin improved from 24.5% of sales in 1996 to 31.6% of sales in 1997. This was achieved as a result of better product mix, reduction of import tariffs and the Company's successful efforts to reduce costs, despite inflationary pressures and exchange devaluation.

Administration and selling expenses increased from Rs. 44.2 million to Rs. 84.6 million as a result of heavy investment in brand building through advertising and sales promotion activities. The major advertising and sales promotion activities during the period were carried out to support new product launches of Gillette SensorExcel, Gillette Series and Duracell and to strengthen and enhance consumer awareness of Gillette Blue II Long Handle launched towards the end of 1996. Overheads were kept under strict control and increases in expenses were mainly because of inflationary trends and deployment of additional resources to support business growth. Operating profit at Rs. 27.1 million was higher by 75% than the previous year's operating profit of Rs. 15.5 million.

The growth in Company's business and new product launches required an increased level of working capital which resulted in enhanced borrowings and higher interest expense. Devaluation of Pakistan Rupee, during the period also contributed to an increased charge. As a result, overall financial expenses increased from Rs. 10.4 million to Rs. 19.2 million. However, due to stability in the sales of newly launched products, financial expenses as a percentage of sales showed a downward trend in the second half of the year.

Profit after tax of Rs. 6.4 million is 59% higher than 1996 profit after tax of Rs. 4.0 million. This translates into increased earnings per share of Rs. 0.33, against Rs. 0.21 last year.

FUTURE OUTLOOK

To achieve increased profitability through enhanced business growth, the Company has taken many aggressive steps. A larger consumer franchise is being developed through more focused marketing

activities, new products launches and expanding distribution network. As a result of these steps, the Board is optimistic that the Company's business and profitability will improve further.

EMPLOYEES

I would like to thank the Company's employees for their valuable contribution which have made these results possible.

Auditors' Report to the Members

We have audited the annexed balance sheet of Gillette Pakistan Limited as at December 31, 1997 and the related profit and loss account and the cash flow statement, together with the notes forming part thereof, for the thirteen months period 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 period under report was for the purposes of the Company's business; and

iii) the business conducted, investments made and the expenditure incurred during the period under report 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 cash flow statement, 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 December 31, 1997 and of the profit and the cash flow for the thirteen months period then ended; and

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

Karachi: Feb 18, 1998

A.F. Ferguson & Co.

Chartered Accountants

Balance Sheet as at December 31, 1997

Note	1997	1996
------	------	------

(Rupees in thousand)

SHARE CAPITAL

Authorised share capital

ordinary shares of Rs. 10 each		200,000	200,000
		=====	=====
Issued, subscribed and fully paid-up share capital	3	192,000	192,000
Accumulated loss		(92,265)	(98,663)
		-----	-----
		99,735	93,337
LONG-TERM LOANS	4	22,750	66,942
CURRENT LIABILITIES			
Current maturity of long term loans	4	45,500	-
Short term finances under mark-up arrangements	5	20,122	15,800
Creditors, accrued and other liabilities	6	45,486	40,016
		-----	-----
		111,108	55,816
CONTINGENCY AND COMMITMENTS	7		
		-----	-----
		233,593	216,095
		=====	=====

The annexed notes form an integral part of these accounts.

Balance Sheet as at December 31, 1997

	Note	1997	1996
		(Rupees in thousand)	
FIXED ASSETS	8	84,990	121,292
CAPITAL WORK-IN-PROGRESS		50	-
		-----	-----
		85,040	121,292
LONG-TERM DEPOSITS	9	1,261	1,200
CURRENT ASSETS		-----	-----
Stores & spares	10	4,693	4,862
Stocks	11	64,880	40,524
Trade debts	12	45,278	22,249
Advances	13	1,638	1,272
Deposits and short-term prepayments	14	3,503	2,652
Other receivables	15	13,187	10,501
Taxation		12,726	7,766
Cash and bank balances	16	1,387	3,777
		-----	-----
		147,292	93,603
		-----	-----
		233,593	216,095
		=====	=====

**Profit & Loss Account for the Thirteen
Months Period Ended December 31, 1997**

		Thirteen months ended December 31, 1997	Year ended November 30, 1996
	Note	(Rupees in thousand)	
Sales	17	353,271	243,563
Cost of goods sold	18	241,596	183,829
		-----	-----
Trading profit		111,675	59,734
Administration and selling expenses	19	84,585	44,243
		-----	-----
Operating profit		27,090	5,491
Other income	20	2,509	780
		-----	-----
		29,599	6,271
		-----	-----
Financial expenses	21	19,157	0,381
Other charges	22	599	573
		-----	-----
		19,756	10,954
		-----	-----
Profit before taxation		9,843	5,317
Taxation	23	3,445	1,283
		-----	-----
Profit after taxation		6,398	4,034
Accumulated loss brought forward		(98,663)	(102,697)
		-----	-----
Accumulated loss carried forward		(92,265)	(98,663)
		=====	=====

The annexed notes form an integral part of these accounts.

**Cash Flows Statement for the Thirteen
Months Period Ended December 31, 1997**

		Thirteen months ended December 31, 1997	Year ended November 30, 1996
	Note	(Rupees in thousand)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	24	(14,396)	4,805
Financial expenses paid		(8,237)	(9,111)
Taxes paid		(8,405)	(7,397)
Long-term deposits (net)		(61)	197
		-----	-----
Net cash (outflow) from operating activities		(31,099)	(11,506)
CASH FLOWS FROM INVESTING ACTIVITIES			
		-----	-----

Fixed capital expenditure	(16,648)	(9,112)
Sale proceeds on disposals of fixed assets	39,674	1,943
Profit on bank deposits received	53	156
	-----	-----
Net cash inflow/(outflow) from investing activities	23,079	(7,013)
CASH FLOWS FROM FINANCING ACTIVITIES		
Long-term loans less repayments	1,308	25,595
	-----	-----
Net cash inflow from financing activities	1,308	25,595
	-----	-----
Net (decrease)/increase in cash and cash equivalents	(6,712)	7,076
Cash and cash equivalents at beginning of the period/year	(12,023)	(19,099)
	-----	-----
Cash and cash equivalents at end of the period/yea	25 (18,735)	(12,023)
	=====	=====

The annexed notes form an integral part of these accounts.

**Notes to and forming part of the
Accounts for the Thirteen Months period
Ended December 3 I, 1997**

1. THE COMPANY AND ITS OPERATIONS

The Company, which was incorporated on December 9, 1986 as a public limited company, was established to manufacture razors and razor blades. The Company commenced commercial production in May, 1989. The shares of the Company are quoted on the Karachi and Lahore stock exchanges.

The Company has changed its accounting year end from November to December effective December I, 1996. As a consequence of this change these accounts have been prepared for the thirteen months period ended December 3 I, 1997, whereas the corresponding figures are for the year ended November 30, 1996.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2. I Accounting convention

These accounts have been prepared under the historical cost convention.

2.2 Staff retirement benefits

The Company operates an approved funded pension fund scheme, which covers all employees subject to prescribed qualifying age limit. Contributions are payable to the fund on a monthly basis by the Company according to actuarial recommendations at a rate of 10.02% of basic salaries of employees. The last actuarial valuation of this fund was carried out as of December 3 I, 1995 on the basis of the 'entry age normal method'. As of December 3 I, 1995 the liability for past services was Rs. 7.334 million against which the market value of the fund's assets was Rs. 8.558 million. The principal actuarial assumptions used in the valuation of the scheme as of December 3 I, 1995 by the actuary are:

- Expected rate of growth in future salaries : 13% per annum
- Expected rate of return on fund : 13% per annum

The Company operates a provident fund scheme for its permanent employees. Equal monthly contributions are made, both by the Company and employees at the rate of 10% of basic pay.

2.3 Taxation

The provision for current taxation is made on the 'presumptive tax' basis under sections 80 (c) and 80 (cc) of the Income Tax Ordinance, 1979. The Company accounts for deferred taxes using the liability method on all significant timing differences, excluding tax effect on those timing differences which are not likely to reverse in the foreseeable future.

2.4 Fixed assets and capital work-in-progress

These are stated at cost less accumulated depreciation except leasehold land and capital work-in-progress which are stated at cost.

Depreciation is charged to income applying the straight-line method whereby the cost of an asset is written off over its estimated useful life. Depreciation on additions to and disposals of assets during the year is charged from the month of acquisition, and to the month of disposal respectively.

Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalized and assets so replaced, if any, are retired.

2.5 Stores and spares

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

2.6 Stocks

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 stocks in-transit which are stated at invoice 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

Assets and liabilities in foreign currencies are translated into rupees at the rates of exchange prevailing at the balance sheet date except those covered under forward exchange contracts which are translated at the contracted rates. Exchange differences are charged to income currently.

2.9 Revenue recognition

Sales revenues are recognised when goods are despatched and invoiced.

1997 1996
(Rupees in thousand)

3. ISSUED, SUBSCRIBED AND FULLY PAID-UP SHARE CAPITAL

Ordinary shares of Rs. 10 each

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

The Gillette Company, U.S.A. and its nominees held 14,686,504 (1996: 14,450,004) ordinary shares of Rs. 10 each as at December 31, 1997.

1997 1996
(Rupees in thousand)

4. LONG-TERM LOANS - UNSECURED

Foreign currency loans from the parent company	68,250	66,942
Less: Current maturity of long term loans	45,500	-
	-----	-----
	22,750	66,942
	=====	=====

This represents three foreign currency loans obtained from The Gillette Company, USA of US\$ 500,000, US\$ 1,200,000 and US\$ 500,000 under the agreements dated June 18, 1996, November 21, 1996 and April 22, 1997 respectively. Out of the loan of US\$ 1,200,000 an amount of US\$ 700,000 was repaid during the period.

The remaining portions of these loans are repayable on June 18, 1998, November 2 I, 1998 and April 22, 1999 respectively.

These loans carry interest at 0.25 percent per annum over one year LIBOR.

1997 1996
(Rupees in thousand)

5. SHORT TERM FINANCES UNDER MARK-UP ARRANGEMENTS - UNSECURED

Running finance - note 5. I	4,622	10,800
Export refinance - note 5.2	15,500	5,000
	-----	-----
	20,122	15,800
	=====	=====

5.1 The facilities for running finances from the banks aggregate Rs. 38.5 million (1996:

Rs. 45.0 million). The mark up rates are between 14% and 14.5% per annum. The purchase price is payable by September 30, 1998.

5.2 Export refinance of Rs. 15.5 million (1996: Rs. 5.0 million) has been utilised as at December 31, 1997. The mark-up rate is 10% per annum.

5.3 Facilities for opening letters of credit and guarantees as at December 31, 1997 amounted to Rs. 28.632 million (1996: Rs. 32.632 million) of which the amounts remaining unutilised at the period end were Rs. 11.971 million (1996: Rs. 12.475 million).

The Gillette Company, U.S.A. has given guarantees against the above finances.

1997 1996
(Rupees in thousand)

6. CREDITORS, ACCRUED AND OTHER LIABILITIES

Creditors	27,034	19,866
Accrued liabilities	13,420	18,564
Interest accrued on long-term foreign currency loans	1,963	664
Mark-up accrued on running finance	164	247
Mark-up accrued on export refinance	396	93
Excise duty payable	-	13
Advances from customers	1,492	-
Workers' Profits Participation Fund - note 6.1	518	285
Others	499	284
	-----	-----
	45,486	40,016
	=====	=====

6.1 Workers' Profits Participation Fund

Balance at the beginning of the period/year	285	481
Add: Amount allocated for the period/year	518	285
	-----	-----
	803	766
Less: Deposited with the Government	285	481
	-----	-----
Balance at the end of the period / year	518	285
	=====	=====

7. CONTINGENCY 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. The demand relates to adjustment of input tax of raw materials used in the manufacture of goods exported. The Company had disputed the contention of the sales tax authorities and filed an appeal against the order of the sales tax authorities with the Collector (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. 3.7 million (1996: Rs. 3.7 million) in the accounts against this claim. The lawyer engaged by the Company to contest this case confirms that on the merits of the case, the Company is likely to get a favourable decision.

Fork lift	840	290	1,130	708	43	751	379	14
	-----	-----	-----	-----	-----	-----	-----	-----
	232,515	16,598	190,641	111,223	13,547	105,651	84,990	
		(58,472)			(19,119)			
	=====	=====	=====	=====	=====	=====	=====	=====
1996	225,258	9,672	232,515	100,683	11,215	111,223	121,292	
		(2,102)			(468)			
		(249)*			(155)*			
		(64)**			(52)**			
	=====	=====	=====	=====	=====	=====	=====	=====

8.1 Details of the items of fixed assets disposed off during the period:

	Cost	Accumulated depreciation	Net Book Value	Sale proceeds	Mode of sale	Sold to
PLANT & MACHINERY						
ER II0 Moulds	9,976	4,065	5,911	5,911	Negotiations	The Gillette Co. U.S.A.
Cartridge Moulds	5,850	3,101	2,749	2,749	Negotiations	The Gillette Co. U.S.A.
Wedge Insert Moulds	3,654	1,377	2,277	2,277	Negotiations	The Gillette Co. U.S.A.
Blister Forming M/C	9,009	2,211	6,798	6,798	Negotiations	Gillette U.K. Ltd.
Cartridge Loader	24,578	6,157	18,421	18,421	Negotiations	Gillette U.K. Ltd.
Q. C. Equipment	5.11	2,066	3,043	3,043	Negotiations	Gillette U.K. Ltd.
VEHICLES						
Motor Cycle	61	6	55	58	Insurance claim	Royal Insurance
Van	138	106	32	161	Tender	Mrs Tasneem Tariq, Karachi
Other vehicle with net book value below Rs. 5,0	1	-	1	229	Tender	Mrs Tasneem Tariq, Karachi
FURNITURE & FIXTURES						
Furniture	14	3	11	11	Negotiations	Mr. Ahmed Hamouchane (former Director Manufacturing)
OFFICE EQUIPMENTS						
Mobile phone	32	10	22	1	Negotiation	Qureshi Agencies, Karachi
Tape Back-up unit	50	17	33	15	Trade-in	International Office Products, Karachi.

1997 1996
(Rupees in thousand)

9. LONG-TERM DEPOSITS

Security deposits	1,261	1,200
	=====	=====

10. STORES & SPARES

Stores	127	177
Spares	4,566	4,685
	-----	-----
	4,693	4,862
	=====	=====

11. STOCKS

Raw and packing materials	40,590	19,213
Goods-in-transit	5,763	13,728
Work-in-process	1,373	682
Finished goods	17,154	6,901
	-----	-----
	64,880	40,524
	=====	=====

1997 1996
(Rupees in thousand)

12. TRADE DEBTS

Unsecured - considered good		
- from associated undertaking	45,278	22,249
	=====	=====
The maximum amount due at the end of any month		
during the period from associated undertaking:	63,772	22,249
	=====	=====

13. ADVANCES

Considered good

Executives	416	239
Employees	111	34
Suppliers	1,053	909
Associated undertakings	25	21
Others	33	69
	-----	-----
	1,638	1,272
	=====	=====

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

- from the Chief executive	380	117
	=====	=====
- from executives	724	302
	=====	=====
- from associated undertakings	44	36
	=====	=====

14. DEPOSITS AND SHORT-TERM PREPAYMENTS

Prepayments	3,503	2,652
	=====	=====

15. OTHER RECEIVABLES

Considered good		
Insurance claims receivable	-	32
Receivable from associated undertakings	2,531	3,296
Profit accrued on bank deposits	-	3
Sales tax	2,679	1,353
Export rebate receivable	1,895	964
Receivable from custom authorities	3,152	3,152
Others	2,930	1,701
	-----	-----
	13,187	10,501
	=====	=====

The maximum aggregate amount receivable from associated undertakings at the end of any month during the period

	4,170	3,589
	=====	=====

1997 1996
(Rupees in thousand)

16. CASH AND BANK BALANCES

With banks on current accounts	1,234	216
Balances in hand	-----	-----
- cash	73	62
- cheques	80	3,499
	-----	-----
	153	3,561
	-----	-----
	1,387	3,777
	=====	=====

Thirteen monthsYear ended
ended DecemberNovember 30,
31, 1997 1996
(Rupees in thousand)

17. SALES

Local	285,196	223,417
Export	69,356	21,391
	-----	-----
	354,552	244,808
Less: discounts	1,281	1,245
	-----	-----
	353,271	243,563
	=====	=====

Thirteen monthsYear ended

ended DecemberNovember 30,
31, 1997 1996
(Rupees in thousand)

18. COST OF GOODS SOLD

Raw and packing materials consumed	164,963	144,343
Stores and spares consumed	6,896	2,423
Salaries, wages and other benefits	24,629	19,724
Pension fund contribution	531	438
Provident fund contribution	613	484
Rent, rates and taxes	307	139
Insurance	407	782
Fuel and power	6,977	5,717
Printing and stationery	486	391
Communication	598	390
Travelling	1,582	809
Motor vehicles and conveyance	3,803	3,652
-Security and safety	367	318
Depreciation	9,259	7,993
Repairs and maintenance	479	333
Legal and professional	273	390
Others	821	247
Opening stock of work-in-process	682	497
Closing stock of work-in-process	(1,373)	(682)
	-----	-----
Cost of goods manufactured	222,300	188,388
Opening stock of finished goods	6,901	9,022
Purchases of finished goods	39,890	1,741
	-----	-----
	269,091	199,151
Cost of goods issued for razor placement, sampling and replacement of stocks	(3,033)	(6,002)
Rebate on export	(7,308)	(2,419)
Closing stock of finished goods	(17,154)	(6,901)
	-----	-----
	241,596	183,829
	=====	=====

Thirteen monthsYear ended
ended DecemberNovember 30,
31, 1997 1996
(Rupees in thousand)

19. ADMINISTRATION AND SELLING EXPENSES

Salaries, wages and other benefits	20,563	14,417
Pension fund contribution	641	463
Provident fund contribution	680	489
Travelling	7,573	4,964
Rent, rates and taxes	1,849	1,517
Insurance	191	463

Repairs and maintenance	577	474
Printing and stationery	542	310
Communication	2,792	2,350
Advertising and sales promotion	29,126	3,465
Sales conference and salesmen incentives	1,685	785
Depreciation	4,288	3,222
Motor vehicles and conveyance	2,542	1,912
Lighting, heating and cooling	1,297	1,046
Auditors' remuneration - note 19. I	588	516
Legal and professional	203	793
Freight and forwarding	7,821	6,070
Donations	-	32
Others	1,627	955
	-----	-----
	84,585	44,243
	=====	=====

19.1 Auditors' Remuneration

Audit fee	100	90
Taxation services	350	316
Special reports, and sundry advisory services	123	34
Central excise duty	-	46
Out of pocket expenses	15	30
	-----	-----
	588	516
	=====	=====

**Thirteen monthsYear ended
ended DecemberNovember 30,
31, 1997 1996
(Rupees in thousand)**

20. OTHER INCOME

Interest income from an associated undertaking	1,995	-
Profit on sale of fixed assets	321	309
Insurance commission	84	355
Profit on bank deposits	50	39
Others	59	77
	-----	-----
	2,509	780
	=====	=====

21. FINANCIAL EXPENSES

Interest on long term foreign currency loan from the parent company	5,603	3,387
Surcharge on custom debentures and duties	-	99
Mark-up on running finance	2,098	1,227
Mark-up on export refinance	1,529	1,340
Excise duty	122	72
Bank charges	391	378
Exchange loss/fee	9,414	3,878
	-----	-----

	19,157	10,381
	=====	=====

22. OTHER CHARGES

Fixed assets written off	-	94
Deferred cost written off	-	119
Workers' Profits Participation Fund	518	285
Professional Tax	81	75
	-----	-----
	599	573
	=====	=====

23. TAXATION

Current year	3,445	1,283
	=====	=====

Provision for taxation has been made on presumptive tax basis under sections 80 (c) and 80 (cc) of the Income Tax Ordinance, 1979.

**Thirteen monthsYear ended
ended DecemberNovember 30,
31, 1997 1996
(Rupees in thousand)**

24. CASH GENERATED FROM OPERATIONS

Profit before taxation	9,843	5,317
Adjustment for non cash charges and other items:		
Depreciation	13,547	11,215
Profit on sale of fixed assets	(321)	(309)
Deferred cost written off	-	119
Profit on bank deposits	(50)	(39)
Financial expenses	9,743	6,503
Fixed assets written off	-	94
Fixed assets donated	-	12
Working capital changes - note 24. I	(47,158)	(18,107)
	-----	-----
Cash generated from operations	(14,396)	4,805
	=====	=====

24.1 Working capital changes

(Increase)/decrease in current assets

Stores and spares	169	(49)
Stock-in-trade	(24,356)	(12,584)
Trade debts	(23,029)	(7,097)
Advances	(366)	(615)
Deposits and short-term prepayments	(851)	(920)
Other receivables	(2,689)	3,606
	-----	-----
	(51,122)	(17,659)

Increase/(decrease) in current liabilities

Creditors, accrued, and other liabilities	3,964	(448)
	-----	-----
	(47,158)	(18,107)
	=====	=====
	1997	1996
	(Rupees in thousand)	

25. CASH AND CASH EQUIVALENTS

Cash and bank balances	1,387	3,777
Short-term finance utilised under mark-up arrangements	(20,122)	(15,800)
	-----	-----
	(18,735)	(12,023)
	=====	=====

**Thirteen monthsYear ended
ended DecemberNovember 30,
31, 1997 1996
(Rupees in thousand)**

26. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS

Aggregate amount in respect of

- Sale of goods	351,071	241,227
	=====	=====
- Purchases made	63,810	38,134
	=====	=====
- Warehousing charges	7,097	5,585
	=====	=====
- Interest expenses	5,603	3,387
	=====	=====
- Interest income from associated undertaking	1,995	-
	=====	=====

27. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amounts charged in the accounts for the period for remuneration including certain benefits to the Chief executive and executives of the Company are as follows:

	Thirteen months period ended December 31, 1997 Rs'000		Year ended November 30, 1996 Rs'000	
	Chief Executive	Executives	Chief Executive	Executives
Managerial remuneration	515	11,712	364	7,838
Bonus	-	1,616	-	1,059

Sales incentives	-	200	-	55
Tax reimbursement	160	637	388	715
Housing	726	5,373	623	3,472
Conveyance allowance	-	685	-	462
Utilities	52	1,153	36	784
Medical expenses	-	876	81	536
Leave passage	482	440	413	675
Schooling, club membership and allowances	106	122	84	170
Retirement benefits	36	1,753	-	1,281
	-----	-----	-----	-----
	2,077	24,567	1,989	17,047
	=====	=====	=====	=====
Number of persons	1	42	1	30
	=====	=====	=====	=====

Three non-executive directors were paid fees aggregating to Rs. 5,000 (1996: Rs. 4,000).

The Chief executive and certain executives of the Company are also provided with free use of the Company maintained cars.

1997 1996
(Quantity in million)

28. CAPACITY

Blades

Rated capacity (double shift basis)	11,000	110
Production	168.67	170.61

29. COMPARATIVE FIGURES

Previous year's figures have been rearranged wherever necessary to facilitate comparison.

**Pattern of holding of Shares held by the
Shareholders as at December 31, 1997**

No. of Shareholders	Shareholding		Total Shares Held
	From	To	
853	1	100	84,900
365	101	500	104,300
65	501	1000	52,500
78	1001	5000	190,500
15	5001	10000	113,000
7	10001	15000	76,300
6	15001	20000	104,200
3	20001	25000	67,800
2	25001	30000	60,000
2	35001	40000	77,400
1	50001	55000	50,400

1	70001	75000	70,200
1	85001	90000	89,800
1	110001	115000	112,000
1	215001	220000	215,200
1	275001	280000	277,000
1	2765001	2770000	2,768,000
1	14685001	14690000	14,686,500
-----			-----
1,404			19,200,000
=====			=====

**Categories of Shareholders
as at December 31, 1997**

Categories of Shareholders	Number	Shares Held	Percentage
1. Joint Stock Companies	3	3,500	0.02
2. Financial Institutions	-	-	-
3. Holding Companies	-	-	-
4. Modaraba Companies	1	277,000	1.45
5. Insurance Companies	-	-	-
6. Investment Companies	4	279,300	1.45
7. Individuals	1,395	3,953,700	20.59
8. Associated Companies	1	14,686,500	76.49
9. Foreign Investors	-	-	-
10. Others	-	-	-
	-----	-----	-----
	1,404	19,200,000	100.00
	=====	=====	=====

NOTICE OF MEETING

Notice is hereby given that the Eleventh Annual General Meeting of Gillette Pakistan Limited will be held at Dinshaw Mahal, Avari Tower, Fatima Jinnah Road, Karachi on Friday, March 27, 1998 at 10:00 a.m. to transact the following business:

ORDINARY BUSINESS

1. To confirm the minutes of the Tenth Annual General Meeting held on February 27, 1997.
2. To receive, consider and adopt the audited accounts of the Company for the period of thirteen months ended on December 31, 1997, together with the Auditors' and Directors' Reports thereon.
3. To appoint auditors and fix their remuneration. Messrs. A. F. Ferguson and Company, Chartered Accountants, the present auditors retire and are eligible for re-appointment. A notice under Section 253 of the Companies Ordinance, 1984 has been received from a shareholder, The Gillette Company USA, proposing Messrs. Taseer Hadi Khalid & Company, Chartered Accountants, Karachi for appointment as Auditors of the Company for the year ending December 31, 1998.

SPECIAL BUSINESS

4. To approve the remuneration of the new Chief Executive of the Company.

A statement under section 160 of the Companies Ordinance, 1984, pertaining to the special business referred to above, is annexed to this Notice of Meeting.

NOTES

1. The Share Transfer Book of the Company will remain closed from March 20, 1998 to March 27, 1998 (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 a change in their addresses.

STATEMENT UNDER SECTION 160 OF THE COMPANIES ORDINANCE, 1984

To pass the following resolution in respect of remuneration of the new Chief Executive Mr. Muhammed Amin:

"Resolved that the following remuneration of the Chief Executive be and is hereby approved:

· Managerial remuneration including House Rent allowance, Utilities allowance and Leave Fare Assistance of Rs. 1,750,000/- per annum.

· Company Car, Bonus and other fringe benefits as per Company rules.

· The above terms are subject to increments/adjustments as should be applicable in his case as per Company policy.

The Chief Executive is interested in the above remuneration. An abstract of the terms of appointment of the Chief Executive under section 218 of the Companies Ordinance, 1984 has already been sent to the members.