

QUARTERLY
ACCOUNTS
September 30, **2014**



**Gillette
Pakistan
Limited**



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BOARD OF DIRECTORS

CHAIRMAN MEMBERS

Sami Ahmed
Adeel Ahmed
Muhammad Noor-e-Arshi Khan
Kashif Maqsood Abbasi
Bahroz Hussain Abbas
Amjad Ali Qureshi
Tariq Iqbal Khan

AUDIT COMMITTEE

CHAIRMAN MEMBERS

Tariq Iqbal Khan
Kashif Maqsood Abbasi
Bahroz Hussain Abbas

HEAD OF INTERNAL AUDIT & SECRETARY TO THE AUDIT COMMITTEE

Adnan Mudassar

HUMAN RESOURCE & REMUNERATION COMMITTEE

CHAIRMAN MEMBERS

Sami Ahmed
Kashif Maqsood Abbasi
Bahroz Hussain Abbas

CHIEF EXECUTIVE

Adeel Ahmed

CFO & COMPANY SECRETARY

Muhammad Noor-e-Arshi Khan

AUDITORS

M. Yousuf Adil Saleem & Co.

LEGAL ADVISORS

Surridge & Beecheno
Mandviwalla & Zafar

BANKERS

Citibank, N.A.
Barclays Bank Pakistan
Standard Chartered Bank

SHARE REGISTRAR

FAMCO ASSOCIATES (PVT.) LTD.
Management Consultants,
8-F, Next to Hotel Faran, Nursery,
Block-6, P.E.C.H.S.
Shahra-e-Faisal, Karachi
Tel: + (92 21) 34380101-2

REGISTERED OFFICE

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Dolmen City, HC-3, Block-4,
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DIRECTORS' REPORT

For the quarter ended September 30, 2014

On behalf of the Board of Directors of Gillette Pakistan Limited ('the Company'), I am pleased to present the un-audited financial statements of the Company for the quarter ended September 30, 2014. The summary of the financial results are as follows:

	JAS 2014	JAS 2013
	Rupees in '000	
Sales - net	470,993	552,738
Cost of goods sold	(362,142)	(377,263)
Gross profit	108,851	175,475
GP ratio	23.1%	31.7%
Other income	22,864	7,626
Selling, marketing and distribution expenses	(76,806)	(81,040)
Administrative expenses	(15,199)	(13,542)
Other expenses	(342)	(30,734)
Bank charges	(7)	(6)
Profit before taxation	39,361	57,779
PBT Ratio	8.4%	10.5%
Income tax expense	(26,978)	(24,185)
Profit for the period	12,383	33,594
PAT Ratio	2.6%	6.1%
EPS (Rs.)	0.64	1.75

The overall sales of the Company has eroded primarily due to discontinuation of distribution of Oral Care category and also due to drop in sales volumes for Braun segment. As reported in the financial statements for the year ended June 30, 2014, the Company stopped selling Oral Care category in Pakistan wef February 01, 2014 as the distribution agreement was terminated by the supplier in last fiscal year.

The gross margins of the Company has reduced as well as compared to corresponding last quarter due to supply price changes while the management continue to control all other cost elements in line with the sales trend.

The Board would like to take this opportunity to express its appreciation to the employees of the Company and distributor teams for the commitment and hard work throughout the period. We would also like to thank our shareholders for their continued support.

On behalf of the Board,

Adeel Ahmed
Chief Executive

October 29, 2014
Karachi

**Condensed Interim Balance Sheet**

As at September 30, 2014

	Note	September 30, 2014 (Unaudited)	June 30, 2014 (Audited)
Rupees in '000			
ASSETS			
Non-current assets			
Long-term deposits		616	616
		<u>616</u>	<u>616</u>
Current assets			
Stock-in-trade		554,051	596,236
Trade debts		169,815	165,317
Loans and advances		160	72
Trade deposits		462	535
Interest receivable on term deposits		1,019	1,351
Other receivables		23,813	29,099
Other financial assets	10	360,405	318,036
Sales tax refundable		53,417	56,698
Taxation - net		45,343	40,251
Cash and bank balances	10	10,526	176,559
		<u>1,219,011</u>	<u>1,384,154</u>
Total assets		<u>1,219,627</u>	<u>1,384,770</u>
EQUITY			
Share capital and reserves			
Authorized			
20,000,000 ordinary shares of Rs.10/- each		200,000	200,000
		<u>192,000</u>	<u>192,000</u>
Issued, subscribed and paid-up capital		541,733	527,861
Unappropriated profit		<u>733,733</u>	<u>719,861</u>
TOTAL EQUITY		<u>733,733</u>	<u>719,861</u>
LIABILITIES			
Non-current Liabilities			
Deferred liability - gratuity scheme		4,144	3,821
Current liabilities			
Trade and other payables		481,750	661,088
		<u>1,219,627</u>	<u>1,384,770</u>
TOTAL EQUITY AND LIABILITIES		<u>1,219,627</u>	<u>1,384,770</u>

The annexed notes 1 to 13 form an integral part of these condensed interim financial statements.

Adeel Ahmed
Chief ExecutiveTariq Iqbal Khan
Director



Condensed Interim Profit and Loss Account - (Unaudited)

For the three month period ended September 30, 2014

	Note	July to September 30, 2014	July to September 30, 2013
Rupees in '000			
Sales - net	7	470,993	552,738
Cost of goods sold		(362,142)	(377,263)
Gross profit		108,851	175,475
Other operating income	8	22,864	7,626
Selling, marketing and distribution expenses		(76,806)	(81,040)
Administrative expenses		(15,199)	(13,542)
Other operating expenses		(342)	(30,734)
Bank charges		(7)	(6)
Profit before tax		39,361	57,779
Income tax expense		(26,978)	(24,185)
Profit after tax for the period		12,383	33,594
Earnings per share - basic and diluted		0.64	1.75

The annexed notes 1 to 13 form an integral part of these condensed interim financial statements.



Condensed Interim Statement of Comprehensive Income -(Unaudited)

For the three month period ended September 30, 2014

	Note	July September 30, 2014	July to September 30, 2013
Rupees in '000			
Profit for the period		12,383	33,594
Other comprehensive income for the period - net of tax			
Items that may be reclassified subsequently to profit and loss account		-	-
Items that will not be reclassified to profit and loss account			
Remeasurement of post retirement benefit obligations		1,489	(633)
Total items that will not be reclassified to profit and loss account		1,489	(633)
Total comprehensive income for the period		13,872	32,961

The annexed notes 1 to 13 form an integral part of these condensed interim financial statements.

Adeel Ahmed
Chief Executive

Tariq Iqbal Khan
Director



Condensed Interim Cash Flow Statement - (Unaudited)

For the three month period ended September 30, 2014

	Note	July September 30, 2014	July to September 30 2013
Rupees in '000			
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash flows from operations	9	(100,249)	(48,334)
Bank charges paid		(7)	(6)
Income taxes paid		(32,071)	(25,526)
Net cash used in operating activities		(132,327)	(73,866)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest income received		8,663	8,794
Net cash from investing activities		8,663	8,794
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		-	-
Net cash used in financing activities		-	-
Net decrease in cash and cash equivalents		(123,664)	(65,072)
Cash and cash equivalents at the beginning of the period		494,595	524,491
Cash and cash equivalents at the end of the period	10	370,931	459,419

The annexed notes 1 to 13 form an integral part of these condensed interim financial statements.



Condensed Interim Statement of Changes in Equity - (Unaudited)

For the three month period ended September 30, 2014

	Issued, subscribed and paid-up capital	Unappropriated profit	Total
	Rupees in '000		
Balance as at July 01, 2014 - Restated	192,000	473,793	665,793
- Profit for the period	-	33,594	33,594
- Other comprehensive income	-	(633)	(633)
Total comprehensive income for the period September 30, 2013	-	32,961	32,961
Balance as at September 30, 2013	<u>192,000</u>	<u>506,754</u>	<u>698,754</u>
Balance as at July 01, 2014	192,000	527,861	719,861
- Profit for the period	-	12,383	12,383
- Other comprehensive income	-	1,489	1,489
Total comprehensive income for the period	-	13,872	13,872
September 30, 2014	-	13,872	13,872
Balance as at September 30, 2014	<u>192,000</u>	<u>541,733</u>	<u>733,733</u>

The annexed notes 1 to 13 form an integral part of these condensed interim financial statements.

Adeel Ahmed
Chief Executive

Tariq Iqbal Khan
Director



Notes to the Condensed Interim Financial Statements - (Unaudited)

For the three month period ended September 30, 2014

1. STATUS AND NATURE OF BUSINESS

Gillette Pakistan Limited ("the Company") was incorporated on December 9, 1986 as a public limited company under the Companies Ordinance, 1984 and is a subsidiary of The Series Acquisition B.V. Netherlands, which is a wholly owned subsidiary of The P&G Company, USA. The registered office of the Company is situated at 11th Floor, Harbour Front, Dolmen City, HC-3, Block-4, Marine Drive, Clifton, Karachi-75600 and the Company is listed on Karachi and Lahore Stock Exchanges. The principal activities of the Company include marketing and selling of blades and razors, personal care products and beauty care appliances.

2. BASIS OF PREPARATION

- 2.1 These condensed interim financial statements of the Company for the three month period ended September 30, 2014 have been prepared in accordance with the requirements of the International Accounting Standard 34 'Interim Financial Reporting' and provisions of and directives issued under the Companies Ordinance, 1984. In case where the requirements differ, the provisions of and directives issued under the Companies Ordinance, 1984 shall prevail. These interim financial statements are in condensed form and should be read in conjunction with the annual financial statements of the Company for the year ended June 30, 2014.
- 2.2 The comparative balance sheet presented in these condensed interim financial statements have been extracted from the annual financial statements of the Company for the year ended June 30, 2014 whereas the comparative condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim statement of cash flow and condensed interim statement of changes in equity are stated from un-audited condensed interim financial statements for the three month period ended September 30, 2013.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and methods of computation adopted in the preparation of these condensed interim financial statements are the same as those applied in the preparation of the annual audited financial statements of the Company for the year ended June 30, 2014.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of these condensed interim financial statements in conformity with approved accounting standards as applicable in Pakistan requires management to make estimates, assumptions and use of judgements that affects the application of policies and reported amounts of assets and liabilities and income and expenses. Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Revision to accounting estimates are recognised prospectively commencing from the period of revision.

In preparing these condensed interim financial statements, the significant judgements made by the management in applying the Company's accounting policies and the key source of estimation and uncertainty were the same as those applied to the financial statements as at and for the year ended June 30, 2014.

5. FINANCIAL RISK MANAGEMENT

The Company's financial risk management objectives and policies are consistent with those disclosed in the financial statements as at and for the year ended June 30, 2014.

6. CONTINGENCIES AND COMMITMENTS

The status of the contingencies and commitments which were reported in note 13 to the annual financial statements of the Company for the year ended June 30, 2014 have not changed materially.

Notes to the Condensed Interim Financial Statements - (Unaudited)

For the three month period ended September 30, 2014

7 SEGMENT RESULTS

7.1 Segment revenues and results

The principal categories of customer for the goods are distributors. The Group's reportable segments under IFRS 8 remain the same as reported in financial statements for the year ended June 30, 2014 and are as follows:

	Segment revenue		Segment profit	
	September 30, 2014	September 30, 2013	September 30, 2014	September 30, 2013
	(Unaudited)		(Unaudited)	
	Rupees in '000			
Shave Care	451,423	439,764	30,095	66,953
Braun products	19,570	60,016	1,950	11,601
Others - Oral B	-	52,959	-	15,881
	<u>470,993</u>	<u>552,739</u>	<u>32,045</u>	<u>94,435</u>
Other operating income			22,864	7,626
Administrative expenses			(15,199)	(13,542)
Other operating expense			(342)	(30,734)
Bank charges			(7)	(6)
Profit before taxation			<u>39,361</u>	<u>57,779</u>

For the purpose of segmental profit calculation, the company has allocated selling, marketing and distribution expenses to the segments. This include expenses directly attributable to the segment as well as those that were allocated on the basis of net sales of the segment.

7.2 Segment assets and liabilities

Segment assets

	September 30, 2014	June 30, 2014
	Rupees in '000	
Shave care	629,015	646,194
Braun products	94,851	115,359
Others - Oral B	-	-
	<u>723,866</u>	<u>761,553</u>
Unallocated corporate assets	495,761	623,217
	<u>1,219,627</u>	<u>1,384,770</u>

Segment liabilities

	September 30, 2014	June 30, 2014
Shave care	389,381	587,673
Braun products	15,741	51,110
Others - Oral B	-	-
	<u>405,121</u>	<u>638,783</u>
Unallocated corporate liabilities	80,773	26,126
	<u>485,894</u>	<u>664,909</u>



Notes to the Condensed Interim Financial Statements - (Unaudited)

For the three month period ended September 30, 2014

For the purposes of monitoring segment performance and allocating resources between segments:

- Segment assets consist of stocks-in-trade and trade debtors.
- Segment liabilities consist of trade creditors and accrued liabilities related to selling, marketing and distribution expenses.

8. OTHER OPERATING INCOME

This includes net exchange gain made by the Company on account of exchange rate differences on foreign currency liabilities amounting to Rs. 14.686 million (Sept 2013: Exchange loss of Rs. 28.55 million).

9. CASH GENERATED FROM / (USED IN) OPERATIONS

	September 30, 2014 (Unaudited)	September 30, 2013 (Unaudited)
 Rupees in '000	
Profit before taxation	39,361	57,779
Adjustments for non cash charges and other items:		
Stock-in-trade written down to net realizable value	20,696	50,111
Interest income	(8,331)	(7,626)
Bank charges	7	6
Provision for retirement benefits	875	635
Working capital changes 9.1	(152,857)	(149,239)
	<u>(100,249)</u>	<u>(48,334)</u>

9.1 WORKING CAPITAL CHANGES

(Increase) / decrease in current assets

Stock-in-trade	21,489	(145,300)
Trade debts	(4,498)	(127,183)
Loans and advances	(88)	(773)
Trade deposits	73	600
Prepayments	-	2,055
Other receivables	5,286	272
Sales Tax Refundable	3,281	(6,001)
	<u>25,544</u>	<u>(276,330)</u>

Increase / (decrease) in current liabilities:

Trade and other payables	(178,401)	127,091
	<u>(152,857)</u>	<u>(149,239)</u>

10. CASH AND CASH EQUIVALENTS

	September 30, 2014 (Unaudited)	June 30 2014 (Audited)	September 30 2013 (Unaudited)
 Rupees in '000'		
Cash and bank balances	10,526	176,559	646
Other financial assets - term deposits	360,405	318,036	458,773
	<u>370,931</u>	<u>494,595</u>	<u>459,419</u>



Notes to the Condensed Interim Financial Statements - (Unaudited)

For the three month period ended September 30, 2014

11. RELATED PARTY TRANSACTIONS

The related parties of the Company and valuation method for transactions with them, remain the same as disclosed in note no. 26 to the annual financial statements of the Company for the year ended June 30, 2014, and following are the transactions with them:

Name	Relationship with the Company	Nature of transaction	September 30, 2014 (Unaudited)	September 30, 2013 (Unaudited)
			Rupees in '000	
Procter and Gamble International Operations	Associate	Purchase of finished goods	542,826	504,363
Procter and Gamble Pakistan (Pvt) Limited	Associate	Services received	16,031	17,309
Procter and Gamble International Operations SA ROHQ	Associate	Services received	284	353
Procter and Gamble Pakistan (Pvt) Limited	Associate	Services rendered	4,743	4,526
Procter and Gamble US Business Services	Associate	Services rendered	522	388
Gillette Pakistan Provident Fund	Retirement benefits plan	Contribution to Provident Fund	425	432
Gillette Pakistan Pension Fund	Retirement benefits plan	Expense Recognised	635	1,268
Key management personnel	-	Salaries and benefits	8,871	7,602

11.1 Amounts due from / (due to) related parties are shown as under:

Name	Relationship with the Company	September 30, 2014 (Unaudited)	June 30, 2014 (Audited)
		Rupees in '000	
Procter and Gamble International Operations	Associate	(338,793)	(587,578)
Procter and Gamble Pakistan (Pvt) Limited	Associate	(7,064)	7,660
Procter and Gamble International Operations SA ROHQ	Associate	(293)	(968)
Procter and Gamble US Business Services	Associate	(416)	(370)
Gillette Pakistan Pension Fund	Retirement benefits plan	(2,214)	(3,152)

12. DATE OF AUTHORIZATION FOR ISSUE

These financial statements have been approved by the Board of Directors of the Company and authorized for issue on October 29, 2014.

13. GENERAL

Figures have been rounded off to the nearest thousand rupee.

Adeel Ahmed
Chief Executive

Tariq Iqbal Khan
Director

