GHULAM FARUQUE
GROUP

REGISTERED TO ISO 9001:2000 NO. 1936
URS
CHERAT PAPERSACK LIMITED

Cherat Papersack Ltd
Head Office:
Modern Motors House
Beaumont Road, Karachi 75530
Pakistan
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Fax: (9221) 5683425
Web: www.gfg.com.pk

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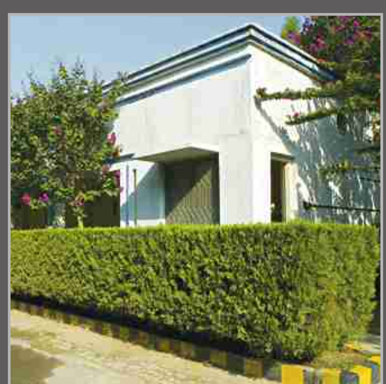
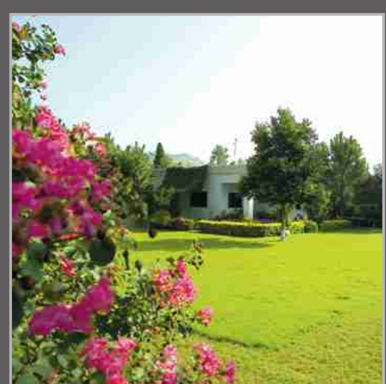
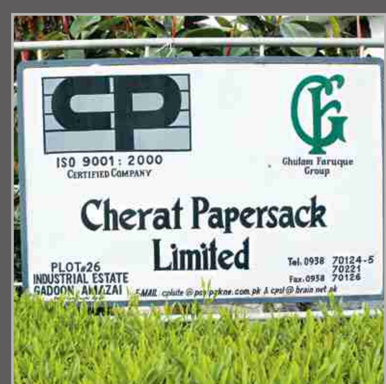
[Annual Report 2008]

Cherat Papersack Limited

A Ghulam Faruque Group Company







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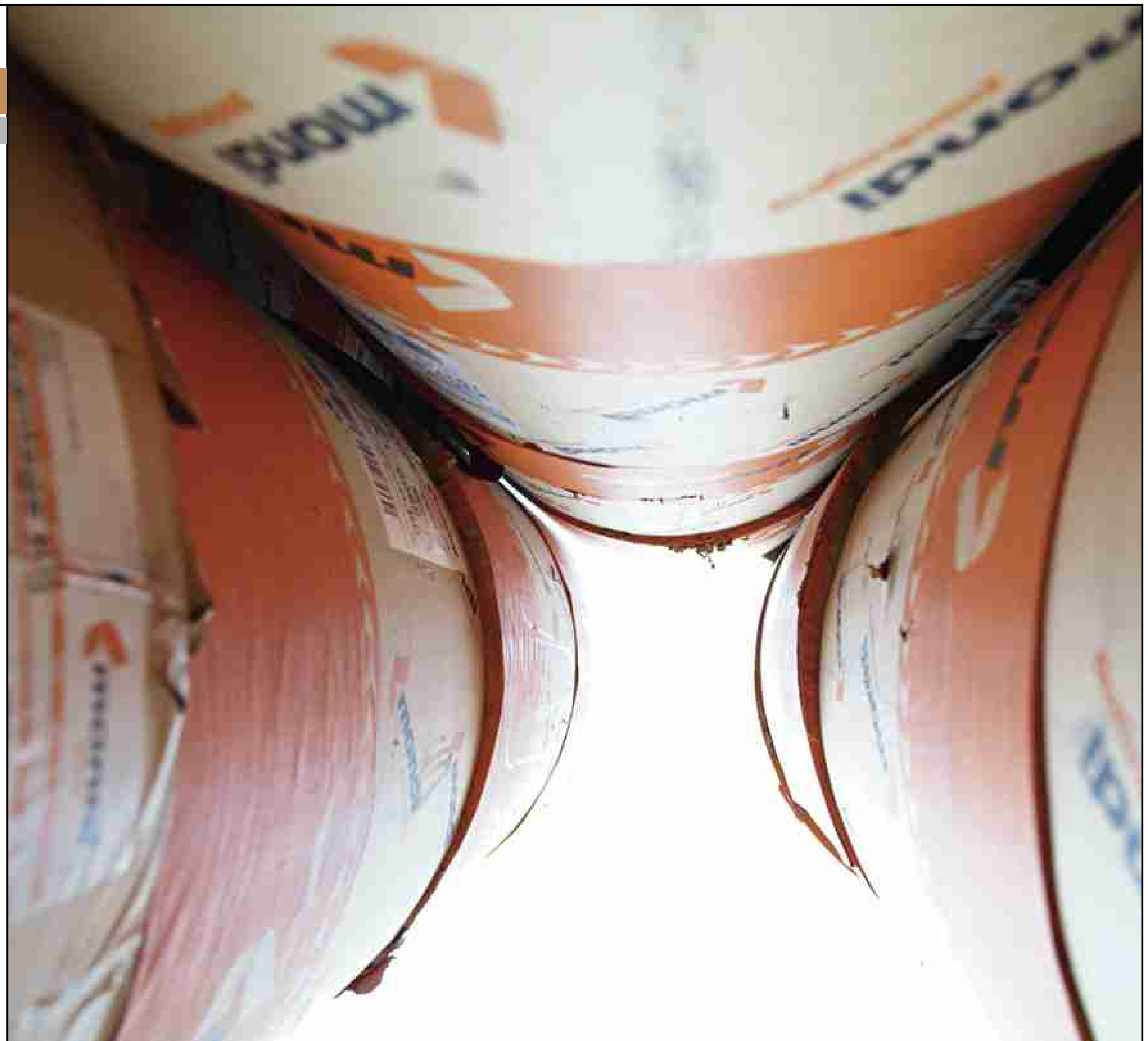
[Vision]

To be a preferred supplier of paper sacks for cement industry combined with efficient manufacturing facilities and satisfied customers.



[Mission]

To seek increased market share by anticipating emerging trends and introducing new products for meeting the demands of our valued customers and ensuring adequate return to our shareholders.

[Strategic Objectives]

We strive to improve the efficiency of our operations through continuous innovation. We intend to grow through expansion of our core business. It is our endeavour to create value for our shareholders by ensuring a maximum return on investment and achieve customer satisfaction by way of providing our clients a world class product.

We aim to develop the long-term sustainability of the organization by grooming and training our employees and providing a congenial work environment, where they are motivated to perform at the highest standards. We remain committed to the highest ethical and moral business values and to the true spirit of the Code of Corporate Governance.

[Core Values]

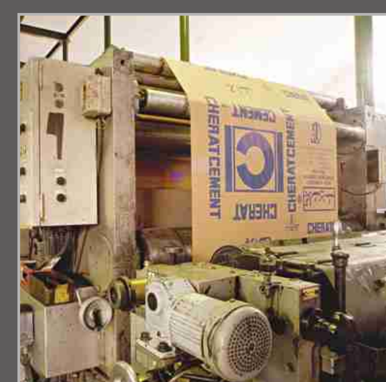
Achieve excellence in business.

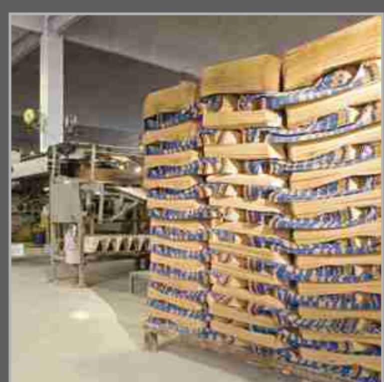
Explore new markets and keep up with emerging trends.

Strong commitment to quality.

Professional development of work force.

Compliance to the practices of ISO 9001:2000.





Company Information

Board of Directors

Mr. Mohammed Faruque	Chairman
Mr. Amer Faruque	Chief Executive
Mr. Iqbal Faruque	Director
Mr. Mahmood Faruque	Director
Mr. Akbarali Pesnani	Director
Mr. Aslam Faruque	Director
Mr. Shehryar Faruque	Director
Mr. Arif Faruque	Director
Mr. Saquib H. Shirazi	Director

Audit Committee

Mr. Mohammed Faruque	Chairman
Mr. Iqbal Faruque	Member
Mr. Aslam Faruque	Member

Chief Financial Officer
Mr. Yasir Masood

Company Secretary
Mr. Abid A. Vazir

Auditors
Ford Rhodes Sidat Hyder & Co.
Chartered Accountants

Legal Advisor
K.M.S. Law Associates

Bankers
Allied Bank Ltd.
Bank Al-Habib Ltd.
Habib Bank Ltd.
MCB Bank Ltd.
National Bank of Pakistan
NIB Bank Ltd.
Soneri Bank Ltd.
Standard Chartered Bank (Pakistan) Ltd.
The Royal Bank of Scotland
United Bank Ltd.

Registered Office
1st Floor, Betani Arcade
Jamrud Road
Peshawar

Head Office
Modern Motors House
Beaumont Road
Karachi-75530

Factory
Plot No. 26
Gadoon Amazai Industrial Estate
District Swabi
N.W.F.P.

Regional Office
3, Sunder Das Road
Lahore

Islamabad Office
Mezzanine Floor
Razia Sharif Plaza
91-Blue Area
Islamabad

Notice of Annual General Meeting

Notice is hereby given that the 19th Annual General Meeting of the Company will be held on Friday, October 24, 2008 at 10:30 a.m. at the Head Office of the Company at Modern Motors House, Beaumont Road, Karachi to transact the following business:

ORDINARY BUSINESS

1. To receive and consider the Audited Accounts of the Company for the year ended June 30, 2008 and the Reports of the Directors and the Auditors thereon.
2. To approve the payment of final cash dividend @ 15% (Rs. 1.50 per share) as recommended by the Board of Directors for the financial year ended June 30, 2008.
3. To approve issuance of bonus shares @ 25% i.e. in the ratio of 1 share for every 4 shares held.
4. To elect nine (9) Directors of the Company as fixed by the Board of Directors u/s 178(1) of the Companies Ordinance, 1984. The names of retiring Directors are (1) Mr. Mohammed Faruque (2) Mr. Iqbal Faruque (3) Mr. Mahmood Faruque (4) Mr. Akbarali Pesnani (5) Mr. Aslam Faruque (6) Mr. Shehryar Faruque (7) Mr. Amer Faruque (8) Mr. Arif Faruque and (9) Mr. Saquib H. Shirazi.
5. To appoint the Auditors for the year 2008/09 and to fix their remuneration.
6. To transact any other business with the permission of the Chair.

SPECIAL BUSINESS

7. To approve an increase in the authorized share capital of the Company, and in this connection pass the following resolution as and by way of a Special Resolution:

   Resolved that the authorized share capital of the Company be and is hereby increased from Rs. 100 million to Rs. 150 million by creation of 5 million shares of Rs. 10 each; that the new shares shall rank pari passu in all respects with the existing ordinary shares in the capital of the Company.

   Resolved further that the Memorandum and Articles of Association of the Company be and is hereby amended by substituting "100,000,000" with "150,000,000" in the Memorandum of Association and "100,000,000" with "150,000,000" in Clause no. 3 of the Articles of Association.

8. To approve the placement of the quarterly accounts of the Company on its website.

   A statement under Section 160 of the Companies Ordinance 1984, pertaining to the above-mentioned Special Businesses is being sent to the Members with this Notice.

By Order of the Board

Abid A. Vazir
Company Secretary

Karachi: Sep 19, 2008

NOTES:

1. The register of members of the Company will be closed from Friday, October 17, 2008 to Friday, October 24, 2008 inclusive and no transfers will be registered during that time. Shares received in order at the close of business on Thursday, October 16, 2008 will be treated in time for the entitlement of 15% final cash dividend and 25% bonus shares. The payment of dividend will be made on the existing paid-up capital of Rs. 73,440,000/-.
2. A member of the Company eligible to attend and vote at the Annual General Meeting may appoint another member as his/her proxy to attend and vote in his/her stead. Proxies to be effective must be in writing and must be received by the Company 48 hours before the Meeting.
3. Any person, who intends to contest the election to the office of the Director or otherwise, file with the Company at its Head Office not later than fourteen (14) days before the date of Annual General Meeting, a notice of his/her intention to offer himself/herself for election as Director.
4. Shareholders of the Company whose shares are registered in their account/sub-account with Central Depository System (CDS) are requested to bring original National Identity Card along with their account number in CDS and participant's ID number for verification. In case of appointment of proxy by such account holders and sub-account holders the guidelines as contained in Security and Exchange Commission of Pakistan's (SECP) circular of 26th January 2000 (as reproduced on the reverse side of the enclosed proxy form) are to be followed.
5. The shareholders of the Company are requested to immediately notify the Company of any change in their addresses.

Item no. 3
Ordinary business

It is proposed that the following resolution be passed with regard to the issuance of bonus shares:

- Resolved that a sum of Rs. 18,360,000 be capitalized out of the un-appropriated profits of the Company for the year 2007/08 to issue at par 1,836,000 ordinary shares of Rs. 10 each. Such shares shall be distributed as bonus shares to those members whose names appear in the register of members of the Company on October 17, 2008 @ 25% (1 share for every existing 4 shares held);
- that the new shares shall rank pari passu with the existing shares of the Company for all purposes;
- that any fraction of shares arising thereof shall be disregarded and the whole shares representing such fractions shall be disposed off in such manner as the Directors of the Company think fit and the proceeds shall be distributed in due proportion among the members of the Company entitled thereto in accordance with their respective rights.
- that the Directors of the Company be and are hereby authorized to sign the new share certificates and the common seal of the Company may be affixed in the presence of any two Directors;
- that the above Directors and Company Secretary be and are hereby authorized to give effect to this resolution and to do all such acts, deeds and things that may be necessary or required for the issue, allotment or distribution of ordinary shares.

Statement U/S 160(1)(b) of the Companies Ordinance, 1984.

This Statement sets out material facts concerning "Special Businesses" to be transacted at the 19th Annual General Meeting of the Company to be held on October 24, 2008. The approval of the Members of the Company will be sought for:

Item no. 7
Increase in Authorized Capital

The Company presently has an authorized share capital of Rs. 100,000,000 divided into 10,000,000 ordinary shares of Rs. 10/- each.

In order to facilitate future increase in the paid up capital, the Board of Directors has recommended that the authorized capital of the Company be raised to Rs. 150,000,000 divided into 15,000,000 ordinary shares of Rs. 10/- each by creation of 5,000,000 ordinary shares of Rs. 10/- each. For this purpose, the Board of Directors has also recommended that the resolution set forth at item (7) under the heading of "Special Resolution" of the notice of the 19th Annual General Meeting of the Company be passed as a Special Resolution. The resolution increases the authorized capital of the Company in the manner stated above and makes the required consequential changes in the Memorandum and Articles of Association of the Company.

Item no. 8
Placement of quarterly accounts on website

SECP vide Circular no. 19 dated 14th April 2004 has allowed the listed companies to place quarterly accounts on their websites instead of sending the same to each shareholder by post. This would ensure prompt disclosure of information to the shareholders beside saving cost associated with printing and dispatch of the accounts by post.

The Company is maintaining its website www.gfg.com.pk The website contains the latest financial results together with the Company's profile. Permission of the SECP would sought for transmitting the quarterly accounts through Company's website after the approval of shareholders. The Company, however, will supply printed copies of the accounts to the shareholders on demand at their registered addresses free of charge.

For the said purpose, the Directors propose that the following resolution be passed as Special Resolution.

"Resolved that the Company be and is hereby authorized to place the quarterly accounts on its website instead of sending the same to members by post, as allowed by the SECP".

Directors' Report
to the Members for the year ended June 30, 2008

The Board of Directors is pleased to place before you the annual report of the Company along with the audited accounts for the year ended June 30, 2008.

OVERVIEW

Despite slowdown in the demand for cement in Pakistan, your Company continued to grow at an impressive pace. The intense efforts of the entire team ensured an increase of 23% in the sales volume of the Company, which compares favorably with the domestic cement sales, which rose by 6%. During the year, escalation in the cost of raw material, devaluation of the Pak Rupee, rise in transportation costs and increase in financial charges due to rise in interest rates did not allow the Company to fully benefit from enhanced sales volumes.

Production and dispatches

To meet the demand for paper bags, the Company produced 140.48 million bags during the year, reflecting a rise of 25.49 million bags from the previous year. In an effort to broaden its customer base, the Company followed an aggressive marketing policy resulting in an enhanced sales volume of 140.58 million bags, an increase of 26.31 million bags compared to last year.

Comparative figures of production and dispatches are as follows:

	2007/08 (Bags in million)	2006/07 (Bags in million)	Variance
Production	140.48	114.99	22%
Dispatches	140.58	114.27	23%

Financial performance

For the year 2007/08, there was 58% rise in the sales revenue of the Company from last year mainly on account of enhanced dispatches and adjustment in the selling price. Revision in selling price had become necessary due to significant increase in the cost of imported kraft paper, devaluation of Pak rupee and increase in the transportation costs during the course of the year. There was also an increase in the financial charges due to higher utilization of credit facilities by the Company owing to expansion of business volumes and overall increase in the interest rates. The support from our supplier – M/s. Mondi Packaging, ensured continuous supply of kraft paper at competitive rates. After accounting for the factors explained above, the Company was able to post an after tax profit of Rs. 71.17 million during the year.

Summarized comparative figures for the current year and that of last year are as under:

	2007/08 (Rs. in million)	2006/07 (Rs. in million)	Variance
Net sales	1,851.42	1,175.40	58%
Cost of sales	1,673.26	1,012.32	65%
Gross profit	178.15	163.08	9%
Expenses & taxes	106.98	83.50	28%
Net profit	71.17	79.58	(11%)

DIVIDEND FOR THE YEAR

At its meeting held on September 19, 2008, the Board of Directors has proposed a final cash dividend @ 15% (Rs. 1.50 per share) for the year ended June 30, 2008.

Further, the Board of Directors has also proposed issuance of bonus shares @ 25% i.e. in the ratio of one (1) share for every four (4) shares held through capitalization of Rs. 18,360,000 out of free reserves of the Company. The said bonus shares shall not be entitled for dividend declared for the year ended June 30, 2008.

The approval of the members for final cash dividend and bonus shares will be obtained at the Annual General Meeting to be held on October 24, 2008.

EXPANSION OF PRODUCTION CAPACITY

Work on expansion of the production capacity through installation of fourth line is progressing as planned. The new line is expected to become operational towards the end of 2008. Following the expansion, the production capacity of the Company will increase from 160 million bags to 265 million bags per annum. In order to effectively manage its operations, the Company has already added to the capacity of its factory premises. The enhanced capacity will not only facilitate the Company in meeting the demand of its existing customers effectively but will allow us to broaden the customer base by targeting new markets.

FUTURE PROSPECTS

Your Company will be well positioned to fulfill the additional demand for paper bags from both domestic and regional cement industry after the expansion of production capacity. In order to meet the challenge of rising prices of quality imported kraft paper in the international markets, the Company has taken measures to effectively manage its inventory.

However, the performance of the papersack industry is directly linked with the demand for cement in Pakistan and we are concerned about the negative trend in cement sales in the country, which have slowed down considerably due to uncertain political situation and slowing down of the economy.

We take this opportunity to urge the government to reduce duty on kraft paper to remove the anomaly in its import duty currently at 15% and polypropylene granules at 5% to provide a level playing field to all cement bag manufacturers to ensure healthy competition.

STATEMENT ON CORPORATE AND FINANCIAL REPORTING FRAMEWORK

- The financial statements prepared by the Company fairly present its state of affairs, the result of operations, cash flows and changes in equity.
- Proper books of account have been maintained by the Company.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- Applicable International Accounting Standards have been followed in the preparation of financial statements and there has been no departure therefrom.
- The system of internal controls has been effectively implemented and is continuously reviewed and monitored.
- The Company is a going concern and there are no doubts about its ability to continue.
- There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- Key operating and financial data for last six (6) years in summarized form is annexed. The Company has been declaring regular dividends to its shareholders.
- There is nothing outstanding against your Company on account of taxes, duties, levies and other charges except for those which are being made in normal course of business.
- The Company maintains Provident and Gratuity Fund accounts for its employees. Stated below are the values of the investments of the fund as on June 30, 2008.

Provident Fund	Rs. 15,694,315
Gratuity Fund	Rs. 9,095,310

- The attendance record of board meetings for each director is as follows:

Name of Director	Meetings Attended
Mr. Mohammed Faruque	4 / 6
Mr. Iqbal Faruque	5 / 6
Mr. Ahmad Faruque *	0 / 1
Mr. Mahmood Faruque	3 / 6
Mr. Akbarali Pesnani	4 / 6
Mr. Aslam Faruque	3 / 6
Mr. Shehryar Faruque	6 / 6
Mr. Amer Faruque	6 / 6
Mr. Arif Faruque	3 / 6
Mr. Saquib H. Shirazi *	3 / 5

* Mr. Saquib H. Shirazi was appointed as a Director on August 27, 2007 following the sad demise of Mr. Ahmad Faruque.

- Pattern of shareholding is annexed.
- Earnings per share (EPS) during the year was Rs. 9.69 against Rs.10.84 last year.

CORPORATE SOCIAL RESPONSIBILTY

As a conscientious member of the corporate community, the Company generously contributed to various social and charitable causes during the year.

AUDITORS

The present auditors M/s. Ford Rhodes Sidat Hyder & Co., Chartered Accountants, retire and being eligible, offer themselves for reappointment.

ACKNOWLEDGMENT

The management of the Company would like to express its gratitude to all the financial institutions, individuals, staff members, suppliers and shareholders who have been associated with the Company for their continued support and cooperation. The management would like to particularly thank its supplier of kraft paper M/s. Mondi Packaging for their understanding and complete support to the Company.

On behalf of the Board of Directors

MOHAMMED FARUQUE
Chairman

Karachi: September 19, 2008

Statement of Compliance
with The Best Practices of The Code of Corporate Governance

This statement is being presented to comply with the Code of Corporate Governance contained in the listing regulations of the Karachi and Lahore Stock Exchanges for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the Best Practices of Corporate Governance.

The Company has applied the principles contained in the Code in the following manner:

1. The Company encourages representation of independent non-executive directors and directors representing minority interest on its Board of Directors. At present the Board includes eight non-executive directors, one of whom is independent.

2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.

3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.

4. A casual vacancy that occurred on the Board during the year was filled up within 30 days.

5. The Company has prepared a 'Statement of Ethics and Business Practices', which has been approved by the Board of Directors and has been circulated to all employees of the Company.

6. The Board has developed vision and mission statement/overall corporate strategy and significant policies of the Company.

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

8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. The Directors of Cherat Papersack Ltd. are professionally qualified and experienced persons and are well aware of their duties and responsibilities. Further, an orientation course for Directors was arranged by the Company to apprise Directors of their duties and responsibilities.

10. The Board has approved the appointment of CFO, Company Secretary and Head of Internal Audit including their remuneration and terms and conditions of employment, as determined by the CEO.

11. The Directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.

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

13. The Directors, CEO and Executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.

14. The Company has complied with all the corporate and financial reporting requirements of the Code.

15. The Board has formed an audit committee. It presently comprises of three members, of whom two are non-executive directors of the Company.

16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.

17. The Board has set-up an effective internal audit function.

18. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.

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

20. We confirm that all other material principles contained in the Code of Corporate Governance have been complied with.

On behalf of the Board of Directors

MOHAMMED FARUQUE
Chairman

Karachi: September 19, 2008

Statement of Compliance
with The Best Practices of Transfer Pricing

The Company has fully complied with the Best Practices of Transfer Pricing as contained in the Listing Regulations of the Stock Exchanges.

On behalf of the Board of Directors

MOHAMMED FARUQUE
Chairman

Karachi: September 19, 2008

Review Report to the Members
on Statement of Compliance with The Best Practices of The Code of Corporate Governance

ERNST & YOUNG

Ford Rhodes Sidat Hyder & Co.
Chertard Accountants
Progressive Plaza, Beaumont Road
P.O.Box 15541, Karachi 75530, Pakistan

Tel: +9221 5650007
Fax: +9221 5681965
www.ey.com/pk

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) applicable to the Company for the year ended 30 June 2008, prepared by the Board of Directors of **Cherat Papersack Limited** to comply with the Listing Regulation No. 37 of the Karachi Stock Exchange (Guarantee) Limited and Chapter XIII of the Listing Regulations of the Lahore Stock Exchange (Guarantee) Limited where the Company is listed.

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

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code, effective for the year ended 30 June 2008.

Karachi: September 19, 2008

FORD RHODES SIDAT HYDER & CO.
Chartered Accountants

Statement of Ethics & Business Practices

The business policy of the Company is based on the principles of honesty, integrity and professionalism at every stage.

Product Quality
Regularly update ourselves with technological advancements and emerging trends to produce bags/sacks under highest standards and maintain all relevant technical and professional standards.

Dealing with Employees
Provide congenial work atmosphere where all employees are treated with respect and dignity. Recognise and reward employees based on their performance and their ability to meet goals and objectives.

Responsibility to interested parties
To be objective, fair and transparent in our dealings with people who have reposed their confidence in us.

Financial Reporting & Internal Controls
To implement an effective and transparent system of financial reporting and internal controls to safeguard the interest of our shareholders and fulfill the regulatory requirements.

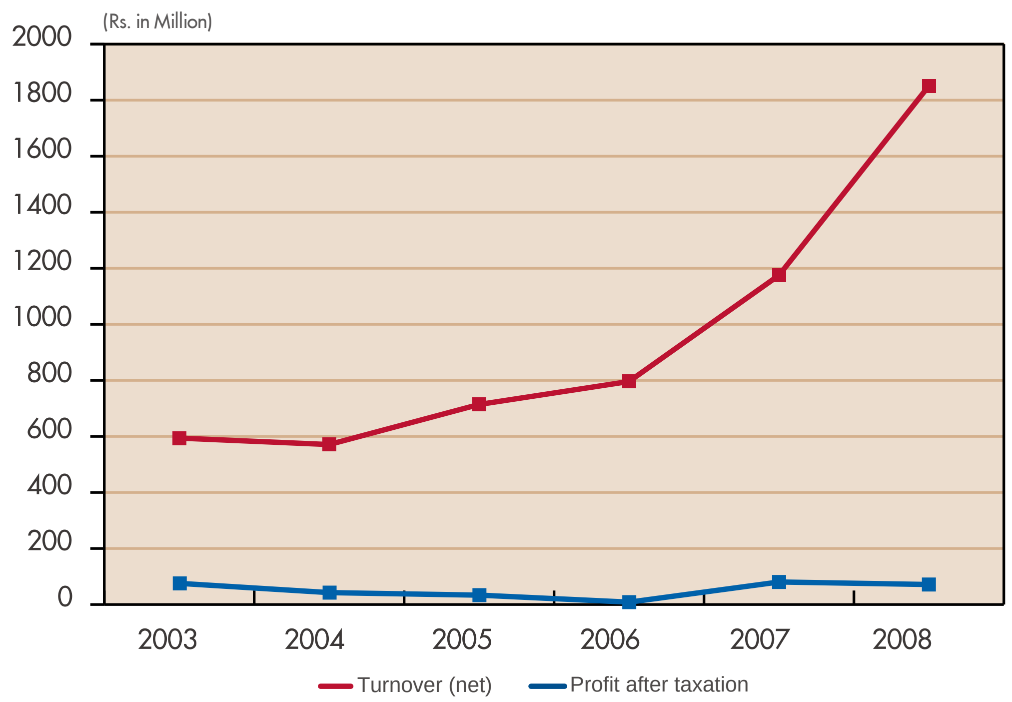
Procurement of Goods & Services
Only purchase goods and services that are tailored to our requirement and are priced appropriately. Before taking decision about procurement of any goods or services, obtain quotations from various sources.

Conflict of Interest
All the acts and decisions of the management be motivated by the interest of the Company and activities and involvements of the directors and employees in no way conflict with the interest of the Company.

Adherence to Laws of the Land
To fulfill all statutory requirements of the Government and its regulatory bodies and follow relevant and applicable laws of the country.

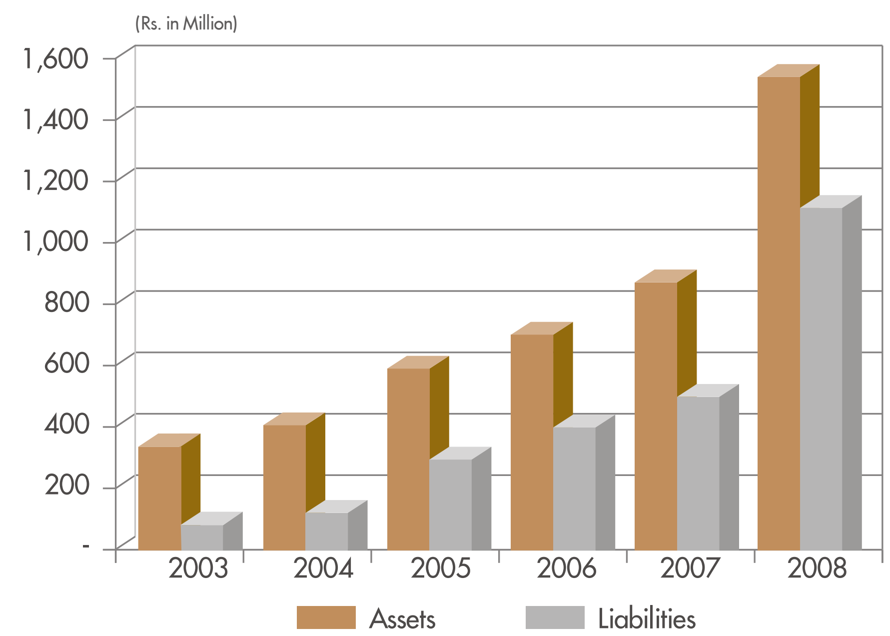
We recognise the need for working with optimum efficiency to attain desired levels of performance. We endeavor to conduct our business with honesty and integrity and produce and supply paper bags/sacks with care and competence, so that our clients receive the quality the truly deserve.

TURNOVER AND PROFITABILITY

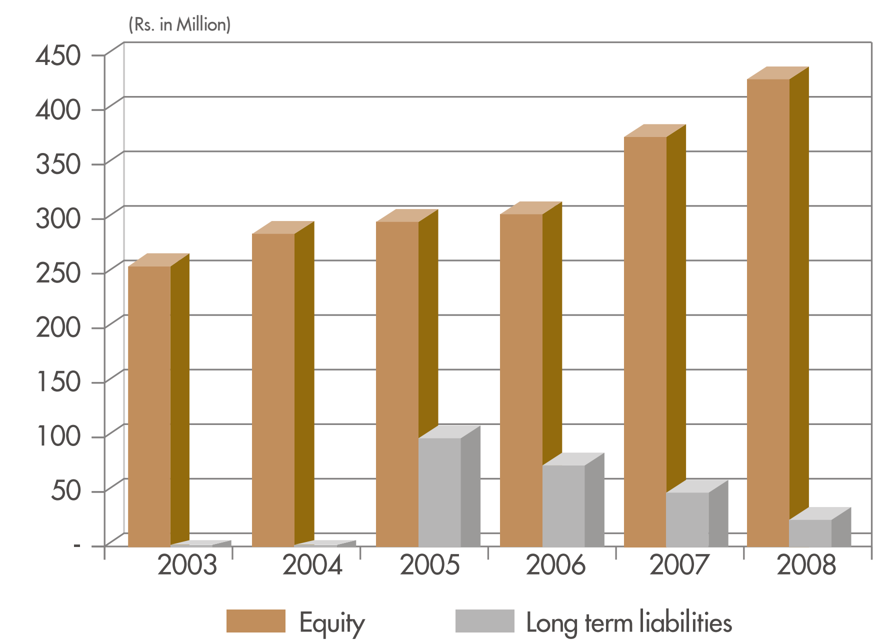


PROFITABILITY

ASSETS AND LIABILITIES

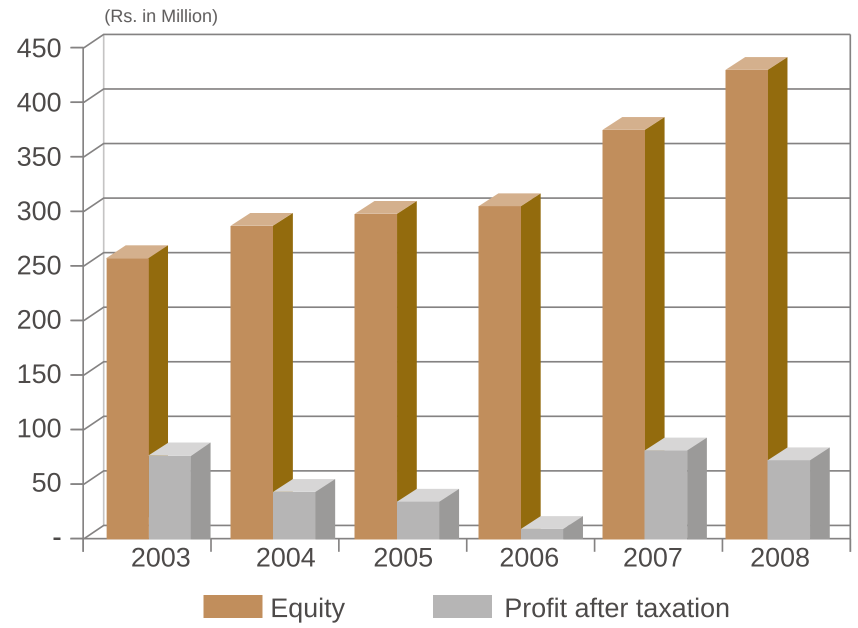


EQUITY AND LONG TERM LIABILITIES

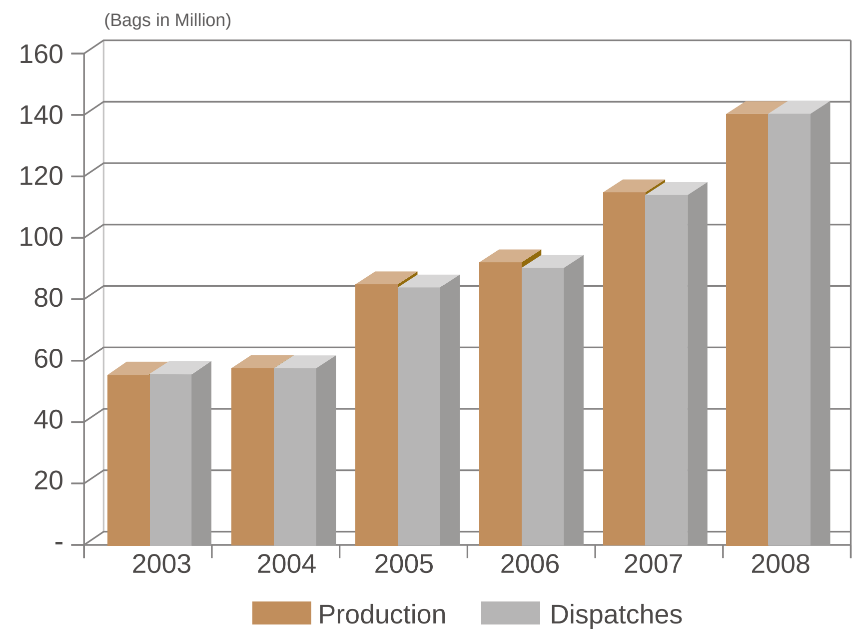


Progress Graphs

RETURN ON EQUITY



PRODUCTION AND DISPATCHES



Year-Wise Statistical Summary

	2008	2007	2006	2005	2004	2003	2002
						(Bags in million)	
Production	140.48	114.99	92.15	85.02	57.73	55.48	46.62
Dispatches	140.58	114.27	90.52	84.14	57.82	55.51	47.55
Assets Employed							
						(Rupees '000)	
Tangible fixed asset	196,061	152,484	165,461	172,156	54,189	54,563	41,718
Long-term investments, loans and deposits	51,775	51,271	45,348	31,937	27,657	24,055	27,469
Current Assets	1,293,114	666,526	488,588	383,690	320,948	254,645	199,073
TOTAL ASSETS EMPLOYED	**1,540,950**	**870,281**	**699,397**	**587,783**	**402,794**	**333,263**	**268,260**
FINANCED BY							
Shareholders' equity	427,502	374,593	303,835	296,913	286,240	256,003	225,659
Long-term liablities	25,000	50,000	75,000	100,000	114	265	395
Deferred liabilities	35,772	26,449	3,753	6,126	6,136	2,448	6,968
Current liabilities	1,052,676	419,239	316,809	184,744	110,304	74,547	35,238
TOTAL FUND INVESTED	**1,540,950**	**870,281**	**699,397**	**587,783**	**402,794**	**333,263**	**268,260**
TURNOVER & PROFIT							
Turnover (net)	1,851,416	1,175,404	795,584	713,869	571,255	594,163	484,825
Operating profit	152,817	144,015	25,113	49,009	63,070	112,666	19,767
Profit before taxation	104,426	116,207	9,910	47,838	62,544	115,424	18,487
Profit after taxation	71,166	79,576	8,306	32,705	42,477	75,224	10,136
Cash dividend	-	11,750	8,813	19,584	24,480	44,880	12,240
Issue of bonus shares	-	14,688	-	9,792	8,160	-	-
Tranfer to reserve	-	-	-	-	-	30,000	-

Ratio Analysis
for the year ended June 30, 2008

		2008	2007
Profitability:			
1	Gross Profit (percentage)	9.62	13.87
2	Operating Profit (percentage)	8.25	12.25
3	Profit Before Tax (percentage)	5.64	9.89
4	Profit After Tax (pecentage)	3.84	6.77
5	Profit to Average Share Holder's Equity (percentage)	17.75	23.46
6	E.P.S (Before Tax)	14.22	19.78
7	E.P.S (After Tax)	9.69	13.54
8	Net Profit to Total Assets (Average after tax) (percentage)	4.89	5.05
9	Increase in Sales (Net percentage)	57.51	47.74
10	Raw Material % of Net Sales	87.37	81.52
11	Labour % of Net Sales	1.63	1.99
12	Other Cost of Sales Expenses % of Net Sales	1.38	2.61
13	Raw Material as % of Cost of Sales	96.67	94.66
14	Administrative Expenses % of Net Sales	0.52	0.65
15	Distribution Cost % of Net Sales	1.02	1.32
16	Tax % of Net Sales	1.80	3.12
17	Finance cost % of Net Sales	2.61	2.37
Short Term Solvency:			
1	Working Capital Ratio	1.23	1.59
2	Acid Test Ratio	0.30	0.37
3	Working Capital Turnover (Net Sales) Times	7.70	4.75
4	Inventory Turnover / Times	2.25	2.50
Overall Valuation and Assessment:			
1	Number of Time Interest Cover (before Tax Profit)	3.16	5.18
2	Return on Equity After Tax (average in percentage)	17.75	23.46
3	Book Value Per Share	58.21	63.76
4	Long Term Debts to Equity Ratio (in percentage)	10.47	16.68

Auditors' Report
to the Members

ERNST & YOUNG

Ford Rhodes Sidat Hyder & Co.
Chertard Accountants
Progressive Plaza, Beaumont Road
P.O.Box 15541, Karachi 75530, Pakistan

Tel: +9221 5650007
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We have audited the annexed balance sheet of **CHERAT PAPERSACK LIMITED** (the Company) as at 30 June 2008 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

a) in our opinion, proper books of 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 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, cash flow statement and statement of changes in equity together with the notes forming part thereof, conform with approved accounting standards as applicable in Pakistan, and, 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 30 June 2008 and of the profit, its cash flows and changes in equity for the year then ended; and

d) in our opinion Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

Karachi: September 19, 2008

Ford Rhodes Sidat Hyder
FORD RHODES SIDAT HYDER & CO.
Chartered Accountants

Balance Sheet
as at June 30, 2008

	Note	2008	2007
		(Rupees '000)	
ASSETS			
NON-CURRENT ASSETS			
Operating property, plant and equipment	3	196,061	152,484
Long-term investments	4	50,471	50,181
Long-term loans	5	1,128	914
Long-term deposits	6	176	176
		247,836	203,755
CURRENT ASSETS			
Stores, spare parts and loose tools	7	14,437	13,605
Stock-in-trade	8	973,484	513,143
Trade debts	9	170,452	106,236
Loans and advances	10	4,354	3,915
Trade deposits and short-term prepayments	11	72,179	1,105
Other receivables	12	44,062	8,524
Taxation – net		4,317	-
Cash and bank balances	13	9,829	19,998
		1,293,114	666,526
TOTAL ASSETS		1,540,950	870,281
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share capital	14	73,440	58,752
Reserves	15	354,062	315,841
		427,502	374,593
NON-CURRENT LIABILITIES			
Long-term financing	16	25,000	50,000
Deferred taxation	17	35,772	26,449
		60,772	76,449
CURRENT LIABILITIES			
Trade and other payables	18	303,720	266,106
Accrued mark-up		12,192	2,205
Short-term running finance	19	711,764	121,458
Current maturity of long-term financing	16	25,000	25,000
Taxation – net		-	4,470
		1,052,676	419,239
CONTINGENCIES AND COMMITMENTS	20		
TOTAL EQUITY AND LIABILITIES		1,540,950	870,281

The annexed notes from 1 to 38 form an integral part of these financial statements.

MOHAMMED FARUQUE
Chairman

AMER FARUQUE
Chief Executive

Profit & Loss Account
for the year ended June 30, 2008

	Note	2008	2007
		(Rupees '000)	
Turnover – net	21	1,851,416	1,175,404
Cost of sales	22	(1,673,262)	(1,012,321)
Gross profit		178,154	163,083
Distribution cost	23	(18,860)	(15,502)
Administrative expenses	24	(9,688)	(7,595)
Other operating expenses	25	(6,476)	(9,885)
		(35,024)	(32,982)
Other operating income	26	9,687	13,914
Operating profit		152,817	144,015
Finance cost	27	(48,391)	(27,808)
Profit before taxation		104,426	116,207
Taxation			
Current		(23,937)	(13,935)
Deferred		(9,323)	(22,696)
	28	(33,260)	(36,631)
Profit after taxation		71,166	79,576
Earnings per share – Basic (restated)	29	Rs. 9.69	Rs. 10.84

The annexed notes from 1 to 38 form an integral part of these financial statements.

MOHAMMED FARUQUE
Chairman

AMER FARUQUE
Chief Executive

Cash Flow Statement
for the year ended June 30, 2008

	Note	2008	2007
		(Rupees '000)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		104,426	116,207
Adjustment for:			
Depreciation	3.2	13,270	13,910
Gain on disposal of operating property, plant and equipment	26	(330)	(14)
Dividend income from a related party	26	(221)	(192)
Return on long-term investments	26	(6,797)	(5,758)
Finance cost	27	48,391	27,808
Operating profit before working capital changes		158,739	151,961
(Increase) / decrease in current assets:			
Stores, spare parts and loose tools		(832)	(573)
Stock-in-trade		(460,341)	(216,043)
Trade debts		(64,216)	12,024
Loans and advances		(439)	(1,927)
Trade deposits and short-term prepayments		(71,074)	131
Other receivables		(35,538)	555
		(632,440)	(205,833)
Increase in current liabilities:			
Trade and other payables		37,612	87,590
Cash (used in) / generated from operations		(436,089)	33,718
Income tax paid		(32,724)	(742)
Net cash (used in) / generated from operating activities		(468,813)	32,976
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to operating property, plant and equipment	3.1	(57,060)	(934)
Sale proceeds of operating property, plant and equipment	3.3	543	15
Long-term loans		(214)	(170)
Dividend received from a related party	26	221	192
Net cash used in investing activities		(56,510)	(897)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long-term loan paid		(25,000)	(25,000)
Dividend paid		(11,748)	(8,775)
Short-term running finance obtained		590,306	10,947
Finance cost paid		(38,404)	(28,423)
Net cash generated from / (used in) financing activities		515,154	(51,251)
Net decrease in cash and cash equivalents		(10,169)	(19,172)
Cash and cash equivalents at the beginning of the year		19,998	39,170
Cash and cash equivalents at the end of the year	13	9,829	19,998

The annexed notes from 1 to 38 form an integral part of these financial statements.

MOHAMMED FARUQUE
Chairman

AMER FARUQUE
Chief Executive

Statement of Changes in Equity
for the year ended June 30, 2008

	Issued, subscribed and paid-up capital	RESERVES: CAPITAL RESERVE: Share Premium	REVENUE RESERVES: General Reserve	Fair value gain/(loss) on available-for-sale securities	Unappro-priated profit	Sub-total	Total	Total
	(Rupees '000)							
Balance as at July 01, 2006	58,752	6,800	180,000	8,408	49,875	238,283	245,083	303,835
Cash dividend for the year ended June 30, 2006 @ Rs. 1.5 per share (15%)	-	-	-	-	(8,813)	(8,813)	(8,813)	(8,813)
Fair value change on availabe-for - sale securities	-	-	-	(5)	-	(5)	(5)	(5)
Profit after taxation for the year ended June 30, 2007	-	-	-	-	79,576	79,576	79,576	79,576
Balance as at June 30, 2007	58,752	6,800	180,000	8,403	120,638	309,041	315,841	374,593
Balance as at July 01, 2007	**58,752**	**6,800**	**180,000**	**8,403**	**120,638**	**309,041**	**315,841**	**374,593**
Cash dividend for the year ended June 30, 2007 @ Rs. 2 per share	-	-	-	-	(11,750)	(11,750)	(11,750)	(11,750)
Issue of bonus shares @ 25% i.e. 1 share for every 4 shares	14,688	-	-	-	(14,688)	(14,688)	(14,688)	-
Fair value change on available-for-sale securities	-	-	-	(6,507)	-	(6,507)	(6,507)	(6,507)
Profit after taxation for the year ended June 30, 2008	-	-	-	-	71,166	71,166	71,166	71,166
Balance as at June 30, 2008	**73,440**	**6,800**	**180,000**	**1,896**	**165,366**	**347,262**	**354,062**	**427,502**

The annexed notes from 1 to 38 form an integral part of these financial statements.

MOHAMMED FARUQUE
Chairman

AMER FARUQUE
Chief Executive

1. THE COMPANY AND ITS OPERATIONS

The Company was incorporated in Pakistan as a public company limited by shares in the year 1989. Its main business activity is manufacturing, selling and marketing of paper bags and sacks. The Company started commercial production on December 15, 1991 and is listed on Karachi and Lahore Stock Exchanges.

The Registered Office of the Company is situated at 1st Floor, Betani Arcade, Jamrud Road, Peshawar, Pakistan.

2. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used in the preparation of these financial statements are as follows:

2.1 Statement of compliance

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

2.2 Basis of preparation

These financial statements have been prepared on the basis of historical cost convention except for derivatives (if any) and certain investments which are valued at fair value.

2.3 Significant accounting judgments and estimates

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historic experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

In the process of applying the accounting policies, management has made the following estimates and judgments which are significant to the financial statements:

2.3.1 Staff retirement benefits

Certain actuarial assumptions have been adopted as disclosed in note 12.1 to the financial statements for valuation of present value of defined benefit obligations and fair value of plan assets. Any change in these assumptions in future years might affect gains and losses in those years. The actuarial valuation involves making assumptions about discount rate, expected rate of return on assets, future salary increases and mortality rate.

2.3.2 Operating property, plant and equipment

The Company reviews appropriateness of the rate of depreciation, useful life and residual value used in the calculation of depreciation. Further, where applicable, an estimate of the recoverable amount of asset is made for possible impairment on an annual basis. In making these estimates, Company uses the technical resources available in the Company. Any change in the estimates in the future might affect the carrying amount of respective item of operating property, plant and equipment, with corresponding effects on the depreciation charge and impairment.

2.3.3 Classification of investments

The management has utilized its judgment in respect of classification of investments as disclosed in note 4 to the financial statements. Any change in such judgment might affect the accounting policy applied in respect of such investments.

2.3.4 Taxation

In making the estimate for income tax payable, the Company takes into account the applicable tax laws and the decision by appellate authorities on certain issues in the past.

2.3.5 Stock-in-trade, stores and spare parts

The Company reviews the net realizable values (NRV) of stock-in-trade and stores and spare parts to assess any diminution in the respective carrying values. NRV is estimated with reference to the estimated selling price in the ordinary course of business less the estimated costs of completion and estimated costs necessary to make the sale.

Other areas where estimates and judgments are involved are described in respective policies and notes to the financial statements.

2.4 Property, plant and equipment

2.4.1 Owned assets

Operating property, plant and equipment except land and capital work-in-progress are stated at cost less accumulated depreciation and any impairment in value. Land and capital work-in-progress are stated at cost. Depreciation is charged to income applying the reducing balance method except for computers, which are depreciated by using the straight-line method.

On all additions, depreciation is charged from the month of the year in which addition / capitalisation occurs. Similarly, no depreciation is charged in the month in which an asset is disposed off.

Maintenance and repairs are charged to income as and when incurred. Major renewals and improvements which increase the assets' remaining useful economic life or the performance beyond the current estimated levels are capitalised and the assets' so replaced, if any, are retired.

Gains or losses on disposal of assets, if any, are recognised as and when incurred.

The carrying values of fixed assets are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable. If such indications exist and where the carrying values exceed the estimated recoverable amounts, the assets are written down to the recoverable amounts.

2.4.2 Assets subject to finance lease

Assets subject to finance lease (if any) are initially stated at the lower of present value of minimum lease payments under the lease agreement and the fair value of the assets. The related obligations of the lease are accounted for as liabilities. Assets acquired under finance lease are depreciated on the same basis as that of owned assets.

2.5 Investments

2.5.1 Available-for-sale securities

Investments which are intended to be held for an indefinite period but may be sold in response to the need for liquidity or changes in interest rates are classified as available-for-sale.

These investments are initially measured at fair value plus transaction costs and are subsequently carried at fair value. Changes in fair value are taken to a separate component of equity.

2.5.2 Held-to-maturity investments

These represent investments with fixed maturity in respect of which the Company has the positive intent and ability to hold till maturity. These investments are carried at amortised cost.

2.6 Stores, spare parts and loose tools

These are valued at lower of average cost and estimated NRV except items-in-transit which are stated at invoice value plus other charges paid thereon to the balance sheet date.

Provision / write-off, if required is made in the accounts for slow moving, obsolete and unusable items to bring their carrying value down to NRV.

2.7 Stock-in-trade

Stock-in-trade is valued at the lower of cost and estimated NRV.

Cost signifies in relation to:

Raw material - Purchase cost and direct expenses

Finished goods - Cost of direct material, labour and proportion of manufacturing overheads

NRV signifies the estimated selling price in the ordinary course of business less cost of completion and cost necessary to be incurred in order to make the sale.

2.8 Trade debts

Trade debts are recognised at invoice value less provision for uncollectible amounts. Provision for doubtful debts is based on management's assessment of customer's credit worthiness. Bad debts are written-off when there is no realistic prospect of recovery.

2.9 Financial instruments

All financial assets and liabilities are recognised at the time when the Company becomes party to the contractual provisions of the instrument. These are derecognised in case of assets, when the contractual rights under the instrument are realised, expired or surrendered and in case of a liability, when the obligation is discharged, cancelled or expired.

Any resulting gain / loss on the recognition and derecognition of the financial assets and liabilities is included in the profit / loss for the period in which it arises.

2.10 Foreign currency translations

Transactions in foreign currencies are translated to Pak Rupees (functional currency) at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Pak Rupees at the foreign exchange rate ruling at that date.

2.11 Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents comprise of cash in hand & current, PLS and deposit accounts with commercial banks.

2.12 Revenue recognition

2.12.1 Sale of goods

Revenue from sales is recognised upon passage of title to the customers which generally coincides with physical delivery.

2.12.2 Other operating income

Return on held-to-maturity investments is recognised on accrual basis taking into account effective yield method.

Dividend income is recognised when the right to such income is established.

Other revenues are accounted for on accrual basis.

2.13 Staff retirement benefits

2.13.1 Gratuity scheme

The Company operates an approved and funded gratuity scheme for all eligible employees who have completed the minimum qualifying period of service. The scheme is administered by the trustees nominated under the trust deed. Contributions to the scheme are made in accordance with actuarial valuation using Projected Unit Credit method.

Actuarial gains and losses are recognised as income or expense when the cumulative unrecognised actuarial gains or losses exceed 10 percent of the higher of defined benefit obligation and the fair value of plan assets as of the end of previous reporting period. These gains or losses are recognised over the expected remaining working lives of employees participating in the scheme.

2.13.2 Provident fund

The Company operates an approved defined contributory provident fund scheme for all permanent employees who have completed the minimum qualifying period of service. Equal contributions are made by the Company and the employees to the fund at the rate of 8.33 % of basic salary.

2.14 Provisions

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

2.15 Taxation

2.15.1 Current

The charge for current taxation is based on taxable income at the current rate of taxation after taking into account applicable tax credits, rebates and exemptions available, if any or minimum taxation at the rate of one-half percent of the turnover whichever is higher. However, for income covered under final tax regime, taxation is based on applicable tax rates under such regime.

2.15.2 Deferred

Deferred income tax is provided using the liability method for all temporary differences at the balance sheet date between tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax assets are recognised for all deductible temporary differences and carry forward of unused tax losses, if any, to the extent that it is probable that taxable profit will be available against which such temporary differences and tax losses can be utilised.

Deferred income tax assets and liabilities are measured at the tax rate that is expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. In this regard, the effects on deferred taxation of the portion of income expected to be subject to final tax regime is adjusted in accordance with the requirement of Accounting Technical Release - 27 of the Institute of Chartered Accountants of Pakistan, if considered material.

2.16 Derivative financial instruments

The Company occasionally uses derivative financial instruments such as forward exchange contracts to hedge its risks associated with foreign currency borrowings. Such derivative financial instruments are stated at fair value.

The fair value of forward exchange contracts is estimated by reference to current forward exchange rates for contracts with similar maturity profiles.

In relation to cash flow hedges which meet the conditions for special hedge accounting, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity.

When the hedged commitment results in the recognition of an asset or a liability, then, the associated gains or losses previously recognised in equity are included in the initial measurement of the acquisition cost or other carrying amount of an asset or a liability. Effect for remaining period of hedge, if material, is taken to profit and loss account, being considered a fair value hedge.

Hedge accounting is discontinued when the hedging instrument is expired or sold, terminated or exercised, or no longer qualifies for special hedge accounting. At that point, any cumulative gain or loss on the hedging instrument recognised in equity is kept until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to net profit or loss for the period.

2.17 Related party transactions

Transactions with related parties are based on the policy that all transactions between the Company and the related parties are carried out at arm's length.

3. OPERATING PROPERTY, PLANT AND EQUIPMENT

3.1 The following is a statement of operating assets:

2008	COST				DEPRECIATION					
	As at July 01, 2007	Additions during the year	Deletions during the year	As at June 30, 2008	As at July 01, 2007	Adjustment on Disposal	For the year	As at June 30, 2008	Written down value as at June 30, 2008	Depreciation rate per annum %
	(Rupees '000)									
Land - leasehold	1,443	2,318	-	3,761	-	-	-	-	3,761	-
Building on leasehold land	14,331	52,165	-	66,496	6,855	-	1,072	7,927	58,569	5-10
Plant and machinery	213,195	-	-	213,195	82,828	-	9,776	92,604	120,591	7.5
Power and other Installations	888	-	-	888	630	-	26	656	232	10
Furniture and fittings	2,313	134	(21)	2,426	1,270	(2)	93	1,361	1,065	5-10
Vehicles	15,911	2,069	(943)	17,037	8,783	(749)	1,631	9,665	7,372	20
Equipment	6,794	290	-	7,084	2,340	-	450	2,790	4,294	10
Computers	1,977	84	-	2,061	1,662	-	222	1,884	177	33
	256,852	57,060	(964)	312,948	104,368	(751)	13,270	116,887	196,061	

2007	COST				DEPRECIATION					
	As at July 01, 2006	Additions during the year	Deletions during the year	As at June 30, 2007	As at July 01, 2006	Adjustment on Disposal	For the year	As at June 30, 2007	Written down value as at June 30, 2007	Depreciation rate per annum %
	(Rupees '000)									
Land – leasehold	1,443	-	-	1,443	-	-	-	-	1,443	-
Building on leasehold land	14,331	-	-	14,331	6,153	-	702	6,855	7,476	5-10
Plant and machinery	213,195	-	-	213,195	72,258	-	10,570	82,828	130,367	7.5
Power and other Installations	888	-	-	888	601	-	29	630	258	10
Furniture and fittings	2,288	25	-	2,313	1,180	-	90	1,270	1,043	5-10
Vehicles	15,464	472	(25)	15,911	7,025	(24)	1,782	8,783	7,128	20
Equipment	6,680	114	-	6,794	1,845	-	495	2,340	4,454	10
Computers	1,654	323	-	1,977	1,420	-	242	1,662	315	33
	255,943	934	(25)	256,852	90,482	(24)	13,910	104,368	152,484	

3.2 The depreciation charge for the year has been allocated to:

	Note	2008	2007
		(Rupees '000)	
Cost of sales	22	12,097	12,428
Distribution cost	23	820	1,058
Administrative expenses	24	353	424
		13,270	13,910

3.3 Disposal of operating property, plant and equipment

Description	Cost	Book Value	Sales Proceeds	Gain	Mode of Disposal	Particulars of buyer
	(Rupees '000)					
Motor Vehicle - Honda Civic EXI ADD-410	943	194	518	324	Tender	Syed Shabbir-ul-Hassan Zaidi Karachi-Outside party
Furniture & Fittings - Sabro Air-conditioner	21	19	25	6	Insurance Claim	EFU-General Insurance Co. Ltd.
2008	964	213	543	330		
2007	25	1	15	14		

	Note	2008	2007
		(Rupees '000)	
4. LONG-TERM INVESTMENTS			
Available-for-sale securities – Related party			
Ordinary shares of listed company			
Cherat Cement Company Limited 221,239 (2007: 221,239) fully paid ordinary shares of Rs.10/- each		5,993	12,500
Held-to-maturity investment			
Defence Saving Certificates	4.1	44,478	37,681
		50,471	50,181

4.1 Represents Defence Saving Certificates of ten years period maturing on August 20, 2009 having redemption value of Rs. 52.5 million that carry effective mark-up rate of 18 percent per annum (2007: 18 percent per annum). These certificate are held in the safe custody of a commercial bank as of the balance sheet date.

	Note	2008	2007
		(Rupees '000)	
5. LONG-TERM LOANS			
Loans to staff – considered good	5.1	1,504	1,219
Less: current portion	10	376	305
		1,128	914

5.1 Represent car and other loans provided as per the Company's employee loan policy.These loans carry mark-up upto 11 percent per annum (2007: upto 11 percent per annum) and are repayable within 3 to 6 years. These loans are secured against the provident fund balances of the respective employees.

	2008	2007
	(Rupees '000)	
6. LONG-TERM DEPOSITS		
Security deposits	163	163
Others	13	13
	176	176
7. STORES, SPARE PARTS AND LOOSE TOOLS		
Stores	1,919	1,256
Spare parts	12,482	12,281
Loose tools	36	68
	14,437	13,605

	Note	2008	2007
		(Rupees '000)	
8. STOCK-IN-TRADE			
Raw material			
In hand		692,839	248,979
In bonded warehouse		126,840	197,705
In transit		104,644	37,951
		924,323	484,635
Finished goods		49,161	28,508
		973,484	513,143
9. TRADE DEBTS – UNSECURED			
Considered good		170,452	106,236
Considered doubtful		17,966	17,966
		188,418	124,202
Less: Provision for doubtful debts		17,966	17,966
		170,452	106,236
10. LOANS AND ADVANCES			
Current portion of long-term staff loans	5	376	305
Advances - unsecured, considered good			
Suppliers		409	1,978
Letters of credit		3,569	1,632
		4,354	3,915
11. TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS			
Margin on Letters of Credit		70,303	-
Trade deposits - earnest money		200	468
Short-term prepayments		1,676	637
		72,179	1,105
12. OTHER RECEIVABLES			
Excise duty claim		362	362
Sales tax adjustable		39,365	6,999
Special excise duty adjustable		2,018	-
Warehousing surcharge claim		517	517
Gratuity fund	12.1	1,489	595
Others		311	51
		44,062	8,524

12.1 Staff retirement benefits

Defined benefit plan

As mentioned in note 2.13.1, the Company operates an approved funded gratuity scheme for all eligible employees. Actuarial valuation of the scheme is carried out every year and the latest actuarial valuation was carried out as at June 30, 2008.

The fair value of scheme's assets and the present value of obligation under the scheme at the balance sheet date were as follows:

	2008	2007
	(Rupees '000)	
Staff Gratuity Fund		
Present value of defined benefit obligation	10,685	10,418
Fair value of plan assets	(9,093)	(7,728)
Unrecognised actuarial loss	(3,081)	(3,285)
Asset recognised in the balance sheet	(1,489)	(595)
Amounts charged to profit and loss account:		
Current service cost	586	721
Interest cost	862	760
Expected return on plan assets	(773)	(725)
Actuarial loss recognized	431	186
	1,106	942
Movement in the balance recognized in the balance sheet:		
Balance as at July 01	(595)	(1,037)
Net charge for the year	1,106	942
Contribution to the fund	(2,000)	(500)
Balance as at June 30	(1,489)	(595)
Movement in the present value of defined benefit obligation:		
Balance as at July 01	10,418	9,399
Current service cost	586	721
Interest cost	862	760
Benefits paid during the year	(1,183)	(518)
Actuarial loss	2	56
Balance as at June 30	10,685	10,418
Movement in the fair value of plan assets:		
Balance as at July 01	7,728	7,256
Expected return	773	725
Contributions	2,000	500
Benefits paid during the year	(1,183)	(518)
Actuarial loss	(225)	(235)
Balance as at June 30	9,093	7,728
Principal actuarial assumptions used are as follows:		
Expected rate of increase in salary level	12%	10%
Valuation discount rate	12%	10%
Rate of return on plan assets	12%	10%

Comparisons for past years:

As at June 30	2008	2007	2006	2005	2004
	(Rupees '000)				
Present value of defined benefit obligation	10,685	10,418	9,399	5,562	3,876
Fair value of plan assets	(9,093)	(7,728)	(7,256)	(7,025)	(6,746)
Deficit / (surplus)	1,592	2,690	2,143	(1,463)	(2,870)
Experience adjustment on plan liabilities	2	56	1,007	1,548	65
Experience adjustment on plan assets	225	235	472	311	326
	227	291	1,479	1,859	391

Composition of plan assets are as follows:

	2008	2007
	(Rupees '000)	
Term Deposit Receipts/ Term Finance Certificates	2,159	2,787
Mutual Funds/ Shares	6,711	4,061
Amount in Banks	223	880
	9,093	7,728

The expected return on plan assets was determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the balance sheet date.

The return on plan assets was assumed to equal the discount rate. Actual return on plan assets during 2008 was Rs.0.548 million (2007: Rs 0.538 million).

13. CASH AND BANK BALANCES

	Note	2008	2007
		(Rupees '000)	
With banks:			
Current accounts	13.1	2,339	19,121
PLS accounts	13.2	7,370	847
		9,709	19,968
Cash in hand		120	30
		9,829	19,998

13.1 Bank balances include cheques in transit amounting to Rs. 6.29 million (2007: Rs. 8.71 million).

13.2 Effective profit rate in respect of PLS accounts ranges from 1 to 5 percent per annum (2007: 1 to 4 percent per annum).

14. SHARE CAPITAL

14.1 Authorized capital

2008	2007		2008	2007
Number of Shares			(Rupees '000)	
10,00,000	10,00,000	Ordinary shares of Rs. 10/- each	100,000	100,000

14.2 Issued, subscribed and paid-up capital

2008	2007		2008	2007
		Fully paid ordinary shares Rs. 10/- each		
4,080,000	4,080,000	Issued for consideration in cash	40,800	40,800
		Issued as bonus shares		
1,795,200	1,795,200	- Opening balance	17,952	17,952
1,468,800	-	- Issued during the year	14,688	-
3,264,000	1,795,200		32,640	17,952
7,344,000	5,875,200		73,440	58,752

15. RESERVES

The detailed reconciliation of capital and revenue reserves is disclosed in the statement of changes in equity.

16. LONG-TERM FINANCING – SECURED

This represents a long-term loan from a commercial bank amounting to Rs. 50 million (2007: Rs. 75 million), having the current maturity of Rs. 25 million (2007: 25 million) to finance the capacity expansion project. The loan is repayable in 5 years in 8 half yearly installments commencing from June 2005 and is subject to mark-up at the rate of six months KIBOR plus 0.75%. The loan is secured by first registered specific hypothecation charge of Rs. 114 million over plant and machinery of the Company.

17. DEFERRED TAXATION

	Note	2008	2007
		(Rupees '000)	
Tax effect of temporary differences resulting from:			
Accelerated tax allowance for depreciation		35,772	26,449

18. TRADE AND OTHER PAYABLES

	Note	2008	2007
Creditors		8,100	3,535
Bills payable		273,076	246,491
Accrued liabilities		9,604	6,602
Retention Money		5,156	-
Unpaid and unclaimed dividend		867	865
Workers' Profits Participation Fund	18.1	5,500	6,241
Workers' Welfare Fund		1,417	2,372
		303,720	266,106

18.1 Workers' Profits Participation Fund

	Note	2008	2007
Opening balance		6,241	522
Interest thereon	27	108	17
		6,349	539
Less: Paid during the year		6,349	539
		-	-
Contribution for the year	25	5,500	6,241
		5,500	6,241

19. SHORT-TERM RUNNING FINANCE – SECURED

This represents utilised portion of running finance facilities aggregating Rs. 954 million (2007: Rs. 485 million) obtained from various commercial banks. These carry mark-up ranging from 1 month KIBOR + 0.5% to 3 months KIBOR + 1% per annum. The facilities are secured against registered pari passu hypothecation charge over stocks and book debts for Rs. 1,167 million and hypothecation charge of Rs. 140 million on all present and future plant and machinery of the Company. The balance include cheques in transit amounting to Rs. 70.83 million (2007: Rs. 38 million).

20. CONTINGENCIES AND COMMITMENTS

		2008	2007
		(Rupees '000)	
20.1	Letters of credit issued by commercial banks	390,526	282,834
20.2	Duties payable on bonded stock and stock in transit	35,040	34,027

	Note	2008	2007
		(Rupees '000)	
21. TURNOVER - NET			
Turnover – Local		2,139,949	1,344,258
Less: Sales tax		276,931	175,544
Special excise duty		18,465	-
		1,844,553	1,168,714
Turnover – Export		6,863	6,690
		1,851,416	1,175,404
22. COST OF SALES			
Raw material consumed			
Opening stock		248,979	101,432
Purchases		2,062,274	1,106,605
		2,311,253	1,208,037
Closing stock		(692,839)	(248,979)
		1,618,414	959,058
Duty drawback on exports		(867)	(822)
		1,617,547	958,236
Manufacturing overheads			
Salaries, wages and benefits	22.1	30,110	23,385
Stores, spare parts and loose tools consumed		3,956	4,491
Fuel and power		3,496	2,898
Packing charges		14,220	10,331
Rent, rates and taxes		234	164
Repairs and maintenance		973	467
Depreciation	3.2	12,097	12,428
Insurance		6,183	3,445
General office expenses		101	19
Vehicle running expenses		800	713
Travelling and conveyance		1,553	390
Communication		202	172
Printing and stationery		178	125
Legal and professional charges		1,737	1,014
Freight and cartage		158	84
Obsolete stock – written off		33	297
Others		337	326
		76,368	60,749
Cost of goods manufactured		1,693,915	1,018,985
Finished goods			
Opening		28,508	21,844
Closing		(49,161)	(28,508)
		(20,653)	(6,664)
		1,673,262	1,012,321

22.1 This includes Rs. 0.718 million (2007: Rs. 0.580 million) in respect of Provident Fund and Rs. 0.805 million (2007: Rs. 0.579 million) in respect of Gratuity Fund.

	Note	2008	2007
		(Rupees '000)	
23. DISTRIBUTION COST			
Salaries, wages and benefits		5,213	4,522
Travelling and conveyance		1,442	411
Vehicle running expenses		83	96
Communication		11	2
Rent, rates and taxes		7	9
Insurance		673	805
Subscription		117	117
Depreciation	3.2	820	1,058
Freight and cartage		10,471	8,388
Others		23	94
		18,860	15,502

	Note	2008	2007
		(Rupees '000)	
24. ADMINISTRATIVE EXPENSES			
Salaries, wages and benefits	24.1	5,636	4,511
Directors' fee		235	115
Travelling and conveyance		123	77
Vehicle running expenses		285	227
Communication		244	168
Printing and stationery		243	223
Rent, rates and taxes		542	512
Legal and professional charges		923	793
Insurance		488	225
Subscription		140	94
Advertisement		125	50
Depreciation	3.2	353	424
Repairs and maintenance		179	15
General office expenses		52	35
Utilities		76	92
Others		44	34
		9,688	7,595

24.1 This includes Rs. 0.191 million (2007: Rs. 0.164 million) in respect of Provident Fund and Rs. 0.301 million (2007: Rs. 0.363 million) in respect of Gratuity Fund.

	Note	2008	2007
		(Rupees '000)	
25. OTHER OPERATING EXPENSES			
Auditors' remuneration	25.1	678	922
Donations	25.2	215	350
Workers' Profits Participation Fund	18.1	5,500	6,241
Workers' Welfare Fund		83	2,372
		6,476	9,885

	2008	2007
	(Rupees '000)	
25.1 Auditors' remuneration		
Audit fee	260	225
Tax, corporate and other services	344	597
Out of pocket expenses	74	100
	678	922

25.2 Recipients of donations do not include any donee in which any Director or his spouse had any interest.

26. OTHER OPERATING INCOME

	Note	2008	2007
		(Rupees '000)	
Income from financial assets			
Return on:			
Defence Saving Certificates		6,797	5,758
Short-term bank deposits		102	85
Dividend income from releated party		221	192
		7,120	6,035
Income from non-financial assets			
Gain on dispoal of operating property, plant and equipment	3.3	330	14
Others:			
Scrap sales		2,237	1,446
Central excise duty refund		-	6,419
		2,237	7,865
		9,687	13,914

27. FINANCE COST

	Note	2008	2007
Mark-up on:			
Long-term financing		7,349	10,039
Short-term running financing		30,137	17,374
		37,486	27,413
Exchange Loss		10,296	-
Guarantee commission		41	26
Bank charges and duties		460	352
Interest on WPPF	18.1	108	17
		48,391	27,808

28. TAXATION

The assessments of the Company for and upto the tax year 2007 have been completed or deemed to be assessed.

	2008	2007
	(Rupees '000)	
28.1 Relationship between tax expense and accounting profit		
Profit before taxation	104,426	116,207
Tax calculated @ 35% (2007: 35%)	36,549	40,673
Tax effect of income exempt from tax	(2,379)	(4,262)
Effect of applicability of lower tax rate on certain income	(91)	(102)
Effect of computational adjustments	(819)	322
Tax expense for the year	33,260	36,631
Effective average tax rate on accounting profit	32%	32%

29. BASIC EARNINGS PER SHARE

		Note	2008	2007
Profit after taxation	(Rupees '000)		71,166	79,576
Number of ordinary shares in issue		14	7,344,000	7,344,000
Basic earnings per share - (restated)			Rs. 9.69	Rs. 10.84

During the year the Company has issued 25% bonus shares (i.e one share for every four ordinary shares held) which has resulted in restatement of basic earnings per share for the year ended June 30, 2007.

There is no dilution effect on basic earnings per share of the Company.

30. FINANCIAL INSTRUMENTS

30.1 Yield / Mark-up rate risk

The Company's exposure to yield risk and the effective rates on its financial assets and liabilities are summarised as follows:

	2008					2007				
	INTEREST BEARING			NON INTEREST BEARING	TOTAL	INTEREST BEARING			NON INTEREST BEARING	TOTAL
	Less than one year	One to five year	Total			Less than one year	One to five year	Total		
	(Rupees '000)					(Rupees '000)				
Financial assets:										
Long-term investments	-	44,478	44,478	5,993	50,471	-	37,681	37,681	12,500	50,181
Long-term loans	-	1,128	1,128	-	1,128	-	914	914	-	914
Long-term deposits	-	-	-	176	176	-	-	-	176	176
Trade debts	-	-	-	170,452	170,452	-	-	-	106,236	106,236
Loans and advances	376	-	376	-	376	305	-	305	-	305
Trade deposits	-	-	-	70,503	70,503	-	-	-	468	468
Other receivables	46	-	46	2,129	2,175	-	-	-	1,132	1,132
Cash and bank balances	7,370	-	7,370	2,459	9,829	847	-	847	19,151	19,998
	7,792	45,606	53,398	251,712	305,110	1,152	38,595	39,747	139,663	179,410
Financial liabilities:										
Long-term financing	25,000	25,000	50,000	-	50,000	25,000	50,000	75,000	-	75,000
Trade and other payables	-	-	-	296,803	296,803	-	-	-	257,493	257,493
Accrued mark-up	12,192	-	12,192	-	12,192	2,205	-	2,205	-	2,205
Short-term running finance	711,764	-	711,764	-	711,764	121,458	-	121,458	-	121,458
	748,956	25,000	773,956	296,803	1,070,759	148,663	50,000	198,663	257,493	456,156

Effective interest / yield rates for the monetary financial assets and liabilities are mentioned in the respective notes to the financial statements.

30.2 Concentration of credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties failed to perform as contracted. The Company attempts to control credit risk associated with the carrying amount of its receivables by monitoring credit exposures, limiting transactions with specific customers and continuing assessment of credit worthiness of such customers.

30.3 Capital Risk Management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Company is not subject to any externally imposed Capital requirements.

The Company manages its capital structure and makes adjustment to it in the light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders or issue new shares.

The gearing ratios as at June 30, 2008 and 2007 were as follows:

	2008	2007
	(Rupees '000)	
Long-term financing including current portion	50,000	75,000
Accrued interest/ mark-up	12,192	2,205
Short-term borrowings	711,764	121,458
Total debt	773,956	198,663
Cash and cash equivalents	(9,829)	(19,998)
Net debt	764,127	178,665
Share capital	73,440	58,752
Reserves	354,062	315,841
Total capital	427,502	374,593
Capital and net debt	**1,191,629**	**553,258**
Gearing ratio	**64.12%**	**32.29%**

The Company finances its expension projects through equity, borowing and management of its working capital with a view to maintaining an appropriate mix between various source of finance to minimize risk.

30.4 Liquidity risk

The Company applies prudent risk management policies by maintaining sufficient cash and bank balances and by keeping committed credit lines. At the balance sheet date, the Company has unavailed credit facilities of Rs. 242.24 million (2007: Rs. 363.54 million).

30.5 Foreign exchange risk management

Foreign currency risk arises mainly where receivables and payables exist due to transactions with foreign suppliers and customers. The Company occasionally enters into foreign exchange forward contracts to minimise foreign currency risks.

30.6 Fair value of financial instruments

The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values.

31. REMUNERATION OF CHIEF EXECUTIVE, DIRECTOR AND EXECUTIVES

	2008		2007	
	Director	Executives/ Key Employees	Director	Executives/ Key Employees
	(Rupees '000)			
Managerial remuneration	2,710	6,173	2,710	3,865
Housing allowance	1,219	1,873	1,219	1,173
Retirement benefits	-	693	-	434
Utilities	271	414	271	261
Leave fare	-	346	-	217
	4,200	9,499	4,200	5,950
Number	1	4	1	3

31.1 The Chief Executive Officer is not drawing any remuneration from the Company.

31.2 The Director is provided with the use of Company maintained car.

31.3 The aggregate amount charged in the financial statements for the year for fee to 8 directors amounted to Rs. 0.235 million (2007: 8 directors - Rs. 0.115 million).

32. CAPACITY

	2008	2007
	(Bags in '000)	
Annual installed capacity as of June 30	160,000	160,000
Actual production for the year	140,479	114,991

33. TRANSACTIONS WITH RELATED PARTIES

Related parties comprise of Group companies, directors and executives. The Company in the normal course of business carries out transactions with various related parties. Amounts due from and to related parties, contribution to staff benefit funds, remuneration of a director and executives and other transactions are disclosed in the relevant notes. Other material transactions with related parties are given below:

Relationship	Nature of transactions	2008	2007
		(Rupees in '000)	
Group companies	Sale of goods	328,501	230,809
	Purchase of goods	5,889	-
	Services received	10,942	6,816
	Software consultancy charges	1,818	1,320
	Dividend paid	3,278	2,458
	Dividend received	221	192
Other related parties	Contribution to staff provident and gratuity funds	2,909	1,244
	Insurance premium	3,959	2,575

In addition, certain actual administrative expenses are being shared amongst the Group companies.

34. RECENT ACCOUNTING DEVELOPMENTS

The following review standards and interpretation with respect to approved accounting standards are applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation:

	Description	Effective date (accounting period beginning on or after)
IAS-1	Presentation of Financial Statements - (Revised)	January 01, 2009
IAS-23	Borrowing Costs - (Revised)	January 01, 2009
IAS-27	Consolidated and Separated Financial Statements - (Revised)	January 01, 2009
IFRS-3	Business Combinations	January 01, 2009
IFRS-7	Financial Instruments: Disclosures	July 01, 2008
IFRS-8	Operating Segments	January 01, 2009
IFRIC-12	Services Concession Arrangements	January 01, 2009
IFRIC-13	Customer Loyalty Programs	July 01, 2008
IFRIC-14	The Limit on Defined Benefit Asset, Minimum Funding Requirements and their Interactions	January 01, 2008

The Company expects that the adoption of the above standards, and interpretations will have no material impact on the Company's financial statements in the period of intial application other than certain changes and enhancements in the presentation and disclosures.

35. DATE OF AUTHORISATION

These financial statements were authorised for issue on September 19, 2008 by the Board of Directors of the Company.

36. DIVIDEND AND APPROPRIATIONS

Subsequent to the year ended June 30, 2008, the Board of Directors has proposed the following in their meeting held on September 19, 2008 for approval of the members at the Annual General Meeting:

	2008	2007
	(Rupees '000)	
Proposed final cash dividend @ Rs. 1.50 per share (2007: @ Rs. 2/- per share)	11,016	11,750
Proposed issue of bonus shares @ 25% (2007: 25%)	18,360	14,688

37. CORRESPONDING FIGURES

There were no material reclassifications that could affect the financial statements materially.

38. GENERAL

Figures have been rounded off to the nearest thousand of Rupees unless otherwise stated.

MOHAMMED FARUQUE
Chairman

AMER FARUQUE
Chief Executive

No. of Shareholders	Shareholding From	Shareholding To	Shares held	Percentage
172	1	100	8,479	0.1155
190	101	500	54,367	0.7403
130	501	1,000	106,402	1.4488
211	1,001	5,000	460,907	6.2760
38	5,001	10,000	278,155	3.7875
15	10,001	15,000	186,981	2.5460
5	15,001	20,000	86,650	1.1799
7	20,001	25,000	154,080	2.0980
1	25,001	30,000	27,000	0.3676
7	30,001	35,000	223,905	3.0488
4	35,001	40,000	145,913	1.9868
2	40,001	45,000	83,810	1.1412
1	45,001	50,000	45,630	0.6213
1	55,001	60,000	55,080	0.7500
2	80,001	85,000	164,302	2.2372
1	95,001	100,000	100,000	1.3617
1	105,001	110,000	109,277	1.4880
2	120,001	125,000	245,228	3.3392
1	125,001	130,000	126,000	1.7157
1	140,001	145,000	141,300	1.9240
1	235,001	240,000	240,000	3.2680
1	320,001	325,000	324,000	4.4118
1	345,001	350,000	345,600	4.7059
2	405,001	410,000	815,223	11.1005
1	415,001	420,000	415,400	5.6563
1	430,001	435,000	432,000	5.8824
1	535,001	540,000	540,000	7.3529
1	675,001	680,000	675,911	9.2036
1	750,001	755,000	752,400	10.2451
802			7,344,000	100.0000

Categories of Shareholders
as at June 30, 2008

Categories	No. of Shareholders	Shares held	Percentage
Individuals	761	2,651,276	36.1013
Financial Institutions	4	162,644	2.2147
Insurance Companies	5	1,634,014	22.2496
Joint Stock Companies	23	2,472,544	33.6675
Modaraba	1	35,125	0.4783
Investment Companies	3	35,818	0.4877
Mutual Funds	3	348,900	4.7508
Others	2	3,679	0.0501
	802	7,344,000	100.0000

Pattern of Shareholding
as at June 30, 2008

Shareholders' Category	Shares Held
Associated companies	
Faruque (Private) Limited	752,400
Cherat Cement Company Limited	432,000
Mirpurkhas Sugar Mills Limited	324,000
Greaves Pakistan (Private) Limited	540,000
Government Institution	
National Bank of Pakistan (Trustee of NIT)	126,000
Directors, Chief Executive and their spouses	
Mr. Mohammed Faruque	4,500
Mrs. Nighat Faruque W/o Mr. Mohammad Faruque	80,135
Mr. Amer Faruque	15,840
Mrs. Amina Faruque W/o Mr. Amer Faruque	30,600
Mr. Iqbal Faruque	4,500
Mr. Mahmood Faruque	45,630
Mrs. Chaman Faruque W/o Mr. Mahmood Faruque	36,900
Mr. Akbarali Pesnani	27,000
Mrs. Sakina Pesnani W/o Mr. Akbarali Pesnani	6,590
Mr. Aslam Faruque	12,600
Mr. Shehryar Faruque	24,660
Mr. Arif Faruque	109,277
Executives	-
Banks, Development Finance Institutions, Non-banking Finance Institutions, Insurance Companies Modarabas and Mutual Funds	2,090,501
Shareholders holding 10% or more voting interest	
Faruque (Private) Limited	752,400

Proxy Form

19th Annual General Meeting 2008

IMPORTANT
Instruments of Proxy will not be considered as valid unless deposited or received at the Company's Head Office at Modern Motors House, Beaumont Road, Karachi-75530 not later than 48 hours before the time of holding the meeting.

Registered folio / participant's ID No. and A/c. No. ____________________

Number of shares held: ____________________

I / We ____________________

of ____________________

being a member of CHERAT PAPERSACK LIMITED, hereby appoint ____________________ of ____________________ another member of the Company as my/our proxy to attend & vote for me/us and on my/our behalf at the 19th Annual General Meeting of the Company to be held on Friday, October 24, 2008 at 10:30 a.m. and at any adjournment thereof.

WITNESSES:

1. Signature: ____________________
   Name: ____________________
   Address: ____________________
   ____
   NIC or
   Passport No. ____________________

2. Signature: ____________________
   Name: ____________________
   Address: ____________________
   ____
   NIC or
   Passport No. ____________________

Signature of Shareholder

Please affix Revenue Stamp Rs.5/-

Note: SECP's circular of January 26, 2000 is on the reverse side of this form.

SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

STATE LIFE BUILDING, 7-BLUE AREA.

Islamabad, January 26, 2000.

Circular No. 1 of 2000

sub: GUIDELINES FOR ATTENDING GENERAL MEETINGS AND APPOINTMENT OF PROXIES

The shares of a number of listed companies are now being maintained as "book entry security" on the Central Depository System (CDS) of the Central Depository Company of Pakistan Limited (CDC). It has come to the notice of the Commission that there is some confusion about the authenticity of relevant documents in the matter of beneficial owners of the shares registered in the name of CDC for purposes of attending the general meetings and for verification of instruments of proxies. The issue has been examined and pending the further instructions to be issued in this regard, the following guidelines for the convenience of the listed companies and the beneficial owners are laid down:

A. Attending of meeting in person by account holders and/or sub-account holders and persons whose securities are in group account and their registration details are uploaded to CDS:

(1) The company shall obtain list of beneficial owners from the CDC as per regulation # 12.3.5 of the CDC Regulations.

(2) In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are up loaded as per the regulation, shall authenticate his identity by showing his original National Identity Card (NIC) or original passport at the time of attending the meeting.

(3) In case of corporate entity, the Board of Directors' resolution /power of attorney with specimen signature of the nominee shall be produced at the time of the meeting.

B. Appointment of Proxies:

(1) In case of individual, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulation, shall submit the proxy from as per requirement notified by the company.

(2) The proxy form shall be witnessed by two persons whose names, addresses and NIC numbers shall be mentioned on the form.

(3) Attested copies of NIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.

(4) The proxy shall produce his original NIC or original passport at the time of the meeting.

(5) in case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature shall be submitted alongwith proxy form to the company.

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(M. Javed Panni)
Chief (Coordination)