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Thal Jute Mills Limited Karachi

DIRECTORS REPORT TO THE SHAREHOLDER FOR THE HALF YEAR ENDED DECEMBER 31, 2003

Dear Shareholders,

The Directors are pleased to place before you the Un-audited Accounts for the half year ended December 31, 2003 with a limited review by the external auditors.

The sales turnover for the half year ended July – December 2003 touched a new peak at Rs 1.241 billion from Rs 0.730 billion in the corresponding period last year showing a growth of 70%. Similarly the gross margin increased to Rs 252 million from Rs 146 million and the net profit before tax grew to Rs 217 million from Rs 110 million in the corresponding half years.

In view of the performance for the period, the Board of Directors have decided to pay an interim dividend @ 30% i.e. Rs 1.50 per share for the half year ended December 31, 2003.

The sales turnover of the Jute Division rose by 23% to Rs 329 million from Rs 267 million in the corresponding periods. The export sale doubled from Rs 104 million in the period to Rs 216 million. The baled production for the first half of current fiscal was 12,067 tons as compared to 11,087 tons during the first half of the last fiscal showing an increase of 980 metric tons (9%).

The sales of Engineering Division shot up to Rs 912 million from Rs 462 million during the July – December periods. The sale of aircon was 19,624 units, up 73% from 11,368 units during same period last half year. Similarly, the sale of wire harness sets during the current half of the year was 17,636 sets versus 7,369 sets during the same period last year.

You would recall that the name of the Company has been changed from “Thal Jute Mills Limited” to “Thal Limited” which was approved at the Extra Ordinary General Meeting held on January 16, 2004. The applications along with the required documentation have been lodged with Securities and Exchange Commission of Pakistan wherefrom we await a formal sanction.

Future Outlook:

Jute Division:

The sale of Pakistan Grain Sack (PGS) to Punjab Food, PASSCO and Sindh Food is expected to be concluded in February'04. The demand of PGS will largely depend on the size of the wheat crop and efforts of the government in procuring wheat from the farmers. The government has approved the target of 5.5 million tons for procurement of wheat during current harvesting season against actual procurement of 3.5 million tons during preceding year.

Engineering:

The engineering sector, especially automotive, requires Government's support by withstanding the pressure of various trade lobbies. The automobile sector has generated substantial revenues for the government exchequer and provided employment. This has further resulted in transfer of technology through technical collaboration with foreign reputable manufacturers. The much needed capital investment in this sector to upgrade with latest technology shall be severely dampened without a consistent long term policy of the Government of Pakistan.

Acknowledgement:

We would also like to acknowledge the commitment of all our team members, and the support provided by our bankers and principals.

On behalf of the Board

(SOHAIL P. AHMED)
Chief Executive

Karachi: February 11, 2004.

Thal Jute Mills Limited

BALANCE SHEET AS AT DECEMBER 31, 2003 (UN-AUDITED)

		Dec 31, 2003	Jun 30, 2003
		Rs. 000's	Rs. 000's
SHARE CAPITAL	Note		
Authorised			
20,000,000 Ordinary Shares of Rs. 5/- each		100,000	100,000
Issued, Subscribed & Paid-up		69,566	69,566
Reserves		500,480	499,741
Unappropriated Profit		123,732	247
		693,778	569,554
LIABILITY AGAINST ASSETS SUBJECT TO FINANCE LEASE		6,219	7,242
DEFERRED LIABILITIES		36,940	37,372
CURRENT LIABILITIES			
Current Maturity of Finance Lease		7,725	6,725
Short Term Borrowings		102,039	40,321
Creditors, Accrued and Other Liabilities		187,593	156,520
Taxation		158,100	136,367
Dividend		20,870	69,566
		476,327	409,499
CONTINGENCIES & COMMITMENTS	3	1,213,264	1,023,667
TANGIBLE FIXED ASSETS			
Operating Assets	4	140,317	143,724
Capital Work-in-Progress		303	-
Investment Property		1,128	1,140
		141,748	144,864
LONG TERM INVESTMENTS		27,602	26,863
LONG TERM LOANS, ADVANCES AND DEPOSITS		1,875	2,893
CURRENT ASSETS			
Stores, Spares and Loose Tools		54,313	48,683
Stock-in-Trade		594,697	462,678
Trade Debts		167,123	107,427
Short Term Deposits		2,188	114,700
Advance Income Tax		134,729	61,388
Advances, Deposits, Prepayments and Other Receivable		74,034	37,981
Cash and Bank Balances		14,955	16,190
		1,042,039	849,047
		1,213,264	1,023,667

The annexed notes form an integral part of these financial statements

SOHAIL P. AHMED
Chief Executive

MUHAMMAD JAMIL HUSSAIN
Executive Director

Karachi : February 11, 2004.

Thal Jute Mills Limited
PROFIT AND LOSS ACCOUNT
FOR THE HALF YEAR ENDED DECEMBER 31, 2003

(UN-AUDITED)

	HALF YEAR		QUARTER	
	Jul - Dec. 2003	Jul - Dec. 2002	Oct - Dec. 2003	Oct - Dec. 2002
	Rs. 000's	Rs. 000's	Rs. 000's	Rs. 000's
Sales	1,241,041	729,599	668,215	408,111
Cost of Sales	988,061	583,478	537,849	328,978
Gross Profit on Manufacturing	252,980	146,121	130,366	79,133
Profit on Trading	1,917	909	1,215	582
Total Gross Profit	254,897	147,030	131,581	79,715
Administrative Expenses	25,252	21,991	12,804	11,321
Selling Expenses	8,371	8,216	4,355	3,989
	33,623	30,207	17,159	15,310
Operating Profit	221,274	116,823	114,422	64,405
Financial Expenses	3,357	5,599	1,566	2,973
Other Charges	16,302	8,162	9,006	4,741
	19,659	13,761	10,572	7,714
	201,615	103,062	103,850	56,691
Other Income	15,116	6,936	14,437	4,919
Profit before Taxation	216,731	109,998	118,287	61,610
Provision for Taxation				
Current	73,689	38,498	41,980	21,562
Deferred	(1,313)	(2,129)	(303)	(2,129)
Provision for Taxation	72,376	36,369	41,677	19,433
Profit after Taxation	144,355	73,629	76,610	42,177
Unappropriated Profit Brought Forward	247	26		
	144,602	73,655		
Appropriations:				
Interim Dividend Rs. 1.50 (Dec 2002:Rs.1.25) per share	20,870	17,392		
Unappropriated Profit Carried Forward	123,732	56,263		
Earning per share (Rs.)	10.38	5.29	5.50	3.03

The annexed notes form an integral part of these financial statements

SOHAIL P. AHMED
Chief Executive

MUHAMMAD JAMIL HUSSAIN
Executive Director

Karachi : February 11, 2004.

Thal Jute Mills Limited
CASH FLOW STATEMENT
FOR THE HALF YEAR ENDED DECEMBER 31, 2003
(UN-AUDITED)

	Jul - Dec. 2003	Jul - Dec. 2002
	Rs. 000's	Rs. 000's
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	216,731	109,998
Adjustment for		
Depreciation	14,641	14,173
Financial Charges	3,357	5,599
Gratuity	840	845
Provision for Retirement Benefit	460	-
Profit on sale of fixed assets	(3,703)	(932)
	<u>15,595</u>	<u>19,685</u>
Operating profit before working capital changes	232,326	129,683
Changes in working Capital		
(Increase)/decrease in Current Assets		
Stores, Spares and Loose Tools	(5,630)	(10,237)
Stock-in-Trade	(132,019)	12,932
Trade Debts	(59,693)	(23,944)
Advances, Deposits, Prepayments and Other Receivables	(80,880)	(13,921)
Increase/(decrease) in Current Liabilities		
Creditors, Accrued and Other Liabilities	31,127	(122,668)
	<u>(247,095)</u>	<u>(157,838)</u>
Cash used in operations	(14,769)	(28,155)
Financial Charges paid	(3,411)	(8,577)
Dividend paid	(69,566)	(55,653)
Gratuity paid	(419)	(98)
Income taxes paid	(80,471)	(4,486)
	<u>(153,867)</u>	<u>(68,814)</u>
Net cash used in operating activities (A)	(168,636)	(96,969)
CASH FLOWS FROM INVESTING ACTIVITIES		
Fixed capital expenditure	(12,098)	(14,022)
Long term loans, advances and Deposits	1,018	289
Proceed from disposal of assets	4,276	1,856
Net cash used in investing activities (B)	<u>(6,804)</u>	<u>(11,877)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of long-term loan	-	(13,800)
Lease assets obtained	3,834	8,718
Repayment of liability against assets subject to finance lease	(3,859)	(4,382)
Net cash used in financing activities (C)	<u>(25)</u>	<u>(9,464)</u>
DECREASE IN CASH (A+B+C)	(175,465)	(118,310)
CASH AND CASH EQUIVALENT AT THE BEGINNING OF THE PERIOD	90,569	76,333
CASH AND CASH EQUIVALENT AT THE END OF THE PERIOD	<u>(84,896)</u>	<u>(41,977)</u>

SOHAIL P. AHMED
Chief Executive

MUHAMMAD JAMIL HUSSAIN
Executive Director

Karachi : February 11, 2004.

Thal Jute Mills Limited

STATEMENT OF CHANGES IN EQUITY FOR THE HALF YEAR ENDED DECEMBER 31, 2003 (UN-AUDITED)

	Rs. 000's					
	Share Capital	Capital Reserve	General Reserve	Fair value Adjustment	Unappro- priated Profit	Total
Balance as at July 1, 2003	69,566	13,240	482,760	3,741	247	569,554
Net profit for the period ended December 31, 2003	-	-	-	-	144,355	144,355
Fair value gain (effect of adoption of IAS-39)	-	-	-	739	-	739
Interim Dividend (Rs. 1.50)					(20,870)	(20,870)
Balance as at December 31,2003	<u>69,566</u>	<u>13,240</u>	<u>482,760</u>	<u>4,480</u>	<u>123,732</u>	<u>693,778</u>
Balance as at July 1, 2002	69,566	13,240	304,760		26	387,592
Net profit for the period ended December 31, 2002	-	-	-	-	73,629	73,629
Fair value gain (effect of adoption of IAS-39)				-		-
Interim Dividend (Rs. 1.25)	-	-	-		(17,392)	(17,392)
Balance as at December 31,2002	<u>69,566</u>	<u>13,240</u>	<u>304,760</u>	<u>-</u>	<u>56,263</u>	<u>443,829</u>

Karachi : February 11, 2004.

SOHAIL P. AHMED
Chief Executive

MUHAMMAD JAMIL HUSSAIN
Executive Director

Thal Jute Mills Limited
NOTES TO THE ACCOUNTS
FOR THE HALF YEAR ENDED DECEMBER 31, 2003

1. Accounting policies adopted for the preparation of these accounts are the same as those applied in the preparation of the preceding annual accounts of the Company for the year ended June 30, 2003 except for the Transfer Pricing Policy which is stated in note # 6
2. These accounts are unaudited but subject to limited review by auditors as required by clause (xxi) of Code of Corporate Governance issued by Securities & Exchange Commission of Pakistan and are being presented to shareholders under section 245 of the Companies Ordinance, 1984 and have been prepared in accordance with the requirements of International Accounting Standard (IAS) 34 'Interim Financial Reporting'..
3. Contingencies & Commitments :
 - 3.1- Contingencies :
 - a) Letter of guarantees issued by banks on behalf of the Company is of Rs.15.993 million (June 30, 2003:Rs.11.442 million).
 - b) The Central Excise and Sales Tax raised a demand of Rs.15.562 million (June 30, 2003 : Rs.15.562) in October 1992. Collectorate of Appeal has remanded back the case to adjudication office in March 1996. The Company is confident of a favourable out come.
 - c) Export Bills discounted Rs.9.483 million (June 30, 2003 : NIL)
 - 3.2- Commitments :
 - a) Letter of Credits outstanding for raw material Rs.145.364 million (June 30, 2003: Rs.79.735 million).
4. Fixed Assets additions during the half year were Rs. 11.795 million (June 30, 2003: Rs.43.579 million) and deletion Rs.2.353 million (June 30, 2003: Rs.3.919 million).

5. Operating Results

Rs. 000's

Note	J U T E				E N G I N E E R I N G				C O N S O L I D A T E D			
	HALF YEAR		QUARTER		HALF YEAR		QUARTER		HALF YEAR		QUARTER	
	Jul - Dec.	Jul - Dec.	Oct - Dec.	Oct - Dec.	Jul - Dec.	Jul - Dec.	Oct - Dec.	Oct - Dec.	Jul - Dec.	Jul - Dec.	Oct - Dec.	Oct - Dec.
	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
Sales	328,963	267,311	204,494	175,169	912,078	462,288	463,721	232,942	1,241,041	729,599	668,215	408,111
Cost of Sales	302,823	235,911	190,710	155,694	685,238	347,567	347,139	173,284	988,061	583,478	537,849	328,978
Gross Profit (Manufacturing)	26,140	31,400	13,784	19,475	226,840	114,721	116,582	59,658	252,980	146,121	130,366	79,133
Profit on Trading Activities	-	-	-	-	1,917	909	1,215	582	1,917	909	1,215	582
Gross Profit	26,140	31,400	13,784	19,475	228,757	115,630	117,797	60,240	254,897	147,030	131,581	79,715
5.1 Cost of Sales :												
Raw Material Consumed	190,776	211,970	104,326	88,365	643,896	308,892	319,989	153,637	834,672	520,862	424,315	242,002
Manufacturing cost	147,391	138,407	78,959	70,868	65,211	39,578	36,761	21,383	212,602	177,985	115,720	92,251
	338,167	350,377	183,285	159,233	709,107	348,470	356,750	175,020	1,047,274	698,847	540,035	334,253
Work-in-Process:												
Opening	10,694	10,283	16,507	11,519	26,742	14,640	37,626	12,910	37,436	24,923	54,133	24,429
Closing	(11,972)	(14,480)	(11,972)	(14,480)	(46,428)	(13,736)	(46,428)	(13,736)	(58,400)	(28,216)	(58,400)	(28,216)
	(1,278)	(4,197)	4,535	(2,961)	(19,686)	904	(8,802)	(826)	(20,964)	(3,293)	(4,267)	(3,787)
Finished Goods												
Opening	70,816	87,069	107,772	196,760	1,286	1,660	4,660	2,557	72,102	88,729	112,432	199,317
Closing	(104,882)	(197,338)	(104,882)	(197,338)	(5,469)	(3,467)	(5,469)	(3,467)	(110,351)	(200,805)	(110,351)	(200,805)
	(34,066)	(110,269)	2,890	(578)	(4,183)	(1,807)	(809)	(910)	(38,249)	(112,076)	2,081	(1,488)
	302,823	235,911	190,710	155,694	685,238	347,567	347,139	173,284	988,061	583,478	537,849	328,978

- Transaction with Associated Undertakings were Rs.740.725 million (June 30, 2003: Rs.1000.386 million) and these transactions were based on arm's length basis at Comparable Uncontrolled Price Method for transfer pricing purpose.
- These financial statements were authorized for issue on February 11, 2004 by the Board of Directors of the Company.
- Provisions wherever made are estimated and are subject to final adjustment in the annual audited accounts.
- Figures have been rounded off to the nearest thousand rupees.

SOHAIL P. AHMED
CHIEF EXECUTIVE

MUHAMMAD JAMIL HUSSAIN
EXECUTIVE DIRECTOR

February 11, 2004