

Thal Limited

Directors' Report to the Shareholders

Dear Shareholders,

The Directors of your company are pleased to place before you the performance review for the half year ended December 31, 2007.

The sales turnover for the half year ended December 31, 2007 was Rs. 3.318 billion versus Rs. 3.031 billion in the same period last year reflecting a growth of 9.5%. The profit before tax increased to Rs.521.47 million compared to Rs.509.08 million for the corresponding period last year. The profit after tax also registered an increase to Rs.382.79 million compared to Rs.358.46 million in the corresponding period last year. The basic and diluted earning per share was Rs.12.57 in the current half year as against Rs.11.77 per share in the corresponding half last year showing an improvement of 6.7%.

ENGINEERING SEGMENT

ENGINEERING OPERATIONS:

The sales turnover in the Engineering Operations went up from Rs.1.847 billion to Rs. 1.913 billion a marginal growth of 3.53%. Though the division sold more than last year, it faced challenges in the closing months of the period, as auto maker's sales declined drastically.

A plant for manufacture of wire harnesses is being built at Sundar industrial Estate Lahore, in close proximity to Honda Atlas Cars Pakistan Limited, for supply to them and other potential customers, at an estimated cost of Rs. 91 million.

Commercial Production will INSHALLAH begin from the next fiscal year.

Future Outlook:

The declining trend of sale of auto makers has not improved significantly. It is hoped that the market will improve March onwards, but it is to be seen to what extent. The unfolding political scenario will dictate the economic conditions and the market.

BUILDING MATERIAL & ALLIED PRODUCTS SEGMENT

The Building Material & Allied Product Segment accomplished a turnover of Rs. 1.405 billion during the half year as against Rs. 1.183 billion thus reflecting a healthy growth of 18.67%. The segment result reflected an improvement of 7% from Rs.117.3 million to Rs.125.3 million.

JUTE OPERATIONS:

The production of jute goods was 14,084 metric tons during the half year showing an increase of 7% as compared to 13,118 metric tons in the same period last year. During the year we were able to export jute goods valuing Rs. 269 Million (US\$ 4.41 million) as compared to Rs. 181 Million (US\$ 3.02 million) registering an increase of 49% over the corresponding period last year.

Future Outlook:

Raw jute continues to become dearer while global demand continues to enhance; together with the increase in cost of ocean freight the cost of Raw Materials have thus risen. Prices of finished goods in local as well in overseas markets registered improvement in sympathy to the increasing prices of raw jute and substitute materials such as Woven Poly Propylene.

During the current year there is a healthy demand for sacking from the Government buyers as a combined Wheat procurement target of seven million tons has been fixed for PASSCO and the Provincial Food Departments. The situation has further been compounded due to the import of one and a half million tons of wheat by the Trading Corporation of Pakistan (TCP).

PAPERSACK OPERATIONS:

During the period under review the papersack operations kept pace with the enhanced demand of sacks by the cement industry and was able to grow its output from 43.9 million sacks to 48.6 million sacks. The increasing cost of imported raw material coupled with depreciation of PKR against US\$ and Euro is however expected to impact the profitability of the division. In response the management has undertaken measures to keep costs in control and is hopeful of maintaining margins in the second half of the year.

Future Outlook:

Customers of Papersack in the international market continue to repose confidence in the products of the Division by rewarding it with enhanced orders for exports.

LAMINATES OPERATIONS:

During the reported period the operations faced several major challenges as construction activities in the country have slowed down. Orders from overseas customers too have been slow resulting in reduced Export Sales of Rs. 38 million compared to Export sales of Rs. 44 million in the previous half year.

Another challenge the operations faced was when a fire broke out in the factory in December 2007, that damaged stocks of raw materials and some portion of factory building. Whilst the damages to the assets have been made good by the Insurers the recovery of sales of the Division are effected by the fire and may take a while to recover.

Future Outlook:

As with other building materials the Laminates operations in particular is struggling to maintain its sales volumes.

ADDITIONAL INVESTMENT IN MAKRO-HABIB PAKISTAN LIMITED:

Your company had invested Rs.400 million representing 8.6% of the share capital of Makro-Habib Pakistan Ltd. as a founding shareholder. Makro-Habib Pakistan Ltd. has already established itself as the front runner in the modern wholesale/retail sector and established 4 large scale modern wholesale cash and carry stores, of which 3 are operating in Karachi and 1 in Lahore. The overwhelming public response and appreciation for this modern concept, together with the opportunity to increase our share in this business from our existing shareholding to 55%, will enable Thal to have a controlling investment in this fast developing sector that affords us opportunities to substantially diversify our portfolio, build new house-brands, control distribution by reaching to consumers directly and further, make available synergies to establish a real estate portfolio in which the Makro store can be the main anchor. The growth opportunity for this sector is enormous, with new stores that could be opened in all major cities of the country and expansion in lucrative markets like Lahore.

The board of directors have, therefore, approved in principle, the purchase of 215,760,000 ordinary shares of par value Rs.10/- per share for a total consideration not exceeding Rs.1.6 billion, subject to the terms and conditions to be finalized between your company and the proposed seller. The directors have also approved further subscription in the share capital of Makro-Habib Pakistan Ltd. to the extent of Rs.500 million @ Rs.10/- per share through issuance of new shares. An Extra Ordinary General Meeting of the shareholders is scheduled for April 01, 2008 for approval of the above-mentioned investments and a separate notice alongwith the relevant details will be sent to the shareholders in due course.

ACKNOWLEDGEMENT:

In the end we would like to convey our appreciation to all our Customers, Dealers, Bankers and Technical Partners for their continued support and confidence in the Company. We also want to recognize the efforts of all our team members, who have worked diligently to achieve the results.

On behalf of the Board



(SOHAIL P. AHMED)
Chief Executive

Karachi: February 22, 2008