



*Financial Statements
for the Quarter/Nine Months
Ended March 31, 2006*

FEROZSONS LABORATORIES LIMITED

197-A, The Mall, Rawalpindi

FEROZSONS LABORATORIES LIMITED
DIRECTORS' REVIEW OF ACCOUNTS FOR
THE QUARTER ENDED MARCH 31, 2006

We are pleased to present your company's individual and consolidated un-audited accounts for the Quarter as well as the 9 months ended March 31, 2006.

Net Sales of your Company's pharmaceutical operations registered a modest increase of 3% for the Quarter, from Rs. 175.394 Million in Q III, 2005 to Rs. 180.649 Million during the Quarter under Review. For the nine-month period, Net Sales increased from Rs. 473.570 Million for the first three quarters of last year to Rs. 559.622 Million for the corresponding period of the current year, an improvement of 18.17%.

Similarly, Consolidated Net Sales including the Farmacia Venture of your company stood at Rs. 201.604 Million for the Quarter ended March 31, a growth of 4.66% over Rs. 192.635 Million achieved in the corresponding quarter of last year. Consolidated Net Sales for the nine-month period grew by 18.59% to Rs. 625.724 Million, compared to Rs. 527.626 Million achieved during the corresponding period of last year. The sluggish growth in sales during the Quarter partially reflect some delays in purchase by key customer institutions, and also the fact that we had an exceptionally strong corresponding quarter during the last financial year.

Your Company's Gross Profit (GP) for the Quarter under review rose to Rs. 105.322 Million from Rs. 97.234 Million, an improvement of 8.32%. For the nine months under review, the GP stood at Rs. 325.836 Million, an increase of 21.33% over the GP of Rs. 268.560 Million achieved during the same period of last year.

Operating expenses increased by 20.45%, from Rs. 45.408 Million during Quarter III 2005, to Rs. 54.694 Million during the Quarter under review. Operating Expenses for the 9 Months were Rs. 153.099 Million, an increase of 19.75% over the figure of Rs. 127.851 Million incurred during the same period of the previous year.

After adjusting for Other Income of Rs. 9.709 Million, loss of Rs. 2.387 Million on remeasurement of your Company's equity investment portfolio, and share of profit in Farmacia of Rs. 1.701 Million (2005: Rs. 1.122 Million), Profit Before Tax of your company, net of Workers' Profit Participation and Central Research Funds, stood at Rs. 56.644 Million for the Quarter, an improvement of 13.37% over the figure of Rs. 49.965 Million achieved during Quarter III of last year. For the Nine Months under review, the Net Profit before Tax stands at Rs. 183.579 Million, an improvement

of 30.37% over the figure of Rs. 140.811 Million achieved during the same period of the previous year.

Net Profit after Tax (NPAT) of your Company stood at Rs. 44.444 Million for the Quarter, an increase of 28.58% over the NPAT of Rs. 34.565 Million achieved during the third Quarter of last year. For the Nine Month period under review, NPAT of your Company grew by 42.42% to Rs. 137.879 Million (2005: Rs. 96.811 Million).

The Basic Earnings per Share (EPS) of your Company for the Quarter ended March 31, 2006 stand at Rs. 4.42 per share (2005: Rs. 3.44 per share). The 9-monthly EPS stands at Rs. 13.72 per share, compared to Rs. 9.64 achieved during the same period last year.

Future Scenario

Your Company has important launches planned for the coming months in the areas of gastroenterology, oncology and transplantation. These launches should add substantially to company revenues and profitability. Our collaboration with the Bagó Group has also been further strengthened through a joint venture agreement and the subsequent creation of our JV subsidiary, BF Biosciences Limited. Construction work on the JV Company's new facilities at Lahore has commenced and is so far continuing on schedule. It is hoped, as your Company nears the completion of its first 50 years of service to humanity, that we will Inshallah be able to achieve a strong closing for the current year, and lay the foundations of a successful future as a leading provider of Global Quality healthcare at home and abroad.

For and on Behalf of the Board of Directors

April 27, 2006

(Mrs. Akhter Khalid Waheed)
Chairperson and Chief Executive

**FEROZSONS
BALANCE SHEET**

Note	March 31, 2006 Un-Audited (Rupees)	June 30, 2005 Audited (Rupees)
SHARE CAPITAL AND RESERVES		
Authorised capital	150,000,000	150,000,000
Issued, subscribed and paid up capital	100,467,200	77,282,460
Capital reserve	321,843	321,843
Reserve for issue of bonus shares	6	6
Unappropriated profit	378,242,700	305,866,486
	<u>479,031,749</u>	<u>383,470,795</u>
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT-net of tax	54,249,656	54,537,651
NON CURRENT LIABILITIES		
Liabilities against assets subject to finance lease	2,092,742	11,873,821
Deferred liability for taxation	16,612,877	16,512,079
CURRENT LIABILITIES		
Trade and other payables	87,863,556	66,697,360
Current maturity of liabilities against assets subject to finance lease	11,942,218	11,456,235
Provision for taxation - net	25,784,086	23,927,980
Revolving advances	65,000	122,456
	<u>125,654,860</u>	<u>102,204,031</u>
	<u>677,641,884</u>	<u>568,598,377</u>

The annexed notes 1 to 9 form an integral part of these financial statements.
These financial statements were authorized for issue on April 27, 2006 by the Board of Directors of the Company.

Rawalpindi
April 27, 2006

LABORATORIES LIMITED
AS AT MARCH 31, 2006

	Note	March 31, 2006 Un-Audited (Rupees)	June 30, 2005 Audited (Rupees)
FIXED ASSETS-tangible			
Property, plant and equipment	3	317,045,457	265,711,067
LONG TERM INVESTMENTS			
	4	24,852,250	19,138,244
LONG TERM DEPOSITS			
		413,947	526,947
CURRENT ASSETS			
Stores, spares and loose tools		3,773,071	3,802,163
Stock in trade		126,191,807	97,077,143
Trade debts - Considered good		11,694,281	5,763,040
Loans and advances		44,168,837	44,357,908
Trade Deposits and short term prepayments		4,783,159	6,192,514
Other receivables		2,407,634	2,500,000
Short term investments	5	24,607,450	57,071,000
Cash and bank balances		117,703,991	66,458,351
		335,330,230	283,222,119
		677,641,884	568,598,377

Mrs. Akhter Khalid Waheed
Chairperson and Chief Executive

Osman Khalid Waheed
Director/President

FEROZSONS LABORATORIES LIMITED
PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE QUARTER / NINE MONTHS ENDED MARCH 31, 2006

	Note	Quarter Ended March 31, 2006 (Rupees)	Nine Months Ended March 31, 2006 (Rupees)	Quarter Ended March 31, 2005 (Rupees)	Nine Months Ended March 31, 2005 (Rupees)
Gross sales		200,181,036	618,923,648	199,265,263	524,743,593
Less: Discount		19,531,674	59,301,928	23,871,425	51,174,074
Net sales		180,649,362	559,621,720	175,393,838	473,569,519
Cost of sales	6	75,326,823	233,785,843	78,160,030	205,009,602
Gross profit		105,322,539	325,835,877	97,233,808	268,559,917
Administrative expenses		13,554,310	38,940,537	8,509,789	24,473,137
Selling and distribution costs		40,719,081	112,740,684	36,474,364	102,140,872
Finance cost		420,839	1,418,074	424,026	1,237,079
		54,694,230	153,099,295	45,408,179	127,851,088
		50,628,309	172,736,582	51,825,629	140,708,829
Other income		9,709,080	15,271,418	5,223,414	8,774,442
Gain/(loss) on remeasurement of short term investment		(2,387,372)	118,683	(5,127,398)	(4,445,889)
Share in Profit of Farmacia 98% owned partnership		1,701,333	5,714,006	1,122,233	4,132,435
		59,651,350	193,840,689	53,043,878	149,169,817
Workers' (Profit) Participation Fund		2,531,415	8,636,829	2,591,281	7,035,441
Central Research Fund		476,207	1,624,750	487,469	1,323,499
		3,007,622	10,261,579	3,078,750	8,358,940
Profit before taxation		56,643,728	183,579,110	49,965,128	140,810,877
Provision for taxation		12,200,000	45,700,000	15,400,000	44,000,000
Profit after taxation		44,443,728	137,879,110	34,565,128	96,810,877
Earnings per share - basic and diluted (Rupees)		4.42	13.72	3.44	9.64

The annexed notes 1 to 9 form an integral part of these financial statements.

Rawalpindi
April 27, 2006

Mrs. Akhter Khalid Waheed
Chairperson and Chief Executive

Osman Khalid Waheed
Director/President

FEROZSONS LABORATORIES LIMITED

CASH FLOW STATEMENT (UN-AUDITED) FOR THE NINE MONTHS ENDED MARCH 31, 2006

	March 31, 2006 (Rupees)	March 31, 2005 (Rupees)
Profit before taxation	183,579,110	140,810,877
Cash flow from operating activities		
Adjustment for:		
Depreciation	17,373,119	17,080,094
Loss/(gain) on sale of property, plant and equipment	(4,891,115)	(1,058,120)
Finance cost	1,418,074	1,237,079
Profit/interest from investments/ bank deposits/capital gains	(10,380,303)	(7,716,322)
Gain/(loss) on remeasurement of short term investments	(118,683)	4,445,889
	3,401,092	13,988,620
Operating profit before working capital changes	186,980,202	154,799,497
Decrease/(increase) in:		
Stocks and stores	(29,085,572)	(22,483,295)
Trade debtors	(5,931,241)	(3,005,167)
Advances, deposits, prepayments and other receivables	1,803,792	(58,832,318)
	(33,213,021)	(84,320,780)
Increase in current liabilities	19,195,418	25,181,671
	172,962,599	95,660,387
Finance cost	(1,418,074)	(1,237,079)
Taxes paid	(43,843,894)	(41,249,794)
	127,700,631	53,173,514
Cash flow from investing activities		
Long term investments	(5,714,006)	(4,132,435)
Capital expenditure	(71,548,894)	(56,477,523)
Short term investments	32,582,233	(11,241,602)
Profit/interest from investments/ bank deposits/capital gains received	10,380,303	7,716,322
Sale proceeds of property, plant & equipment	7,732,500	2,646,000
Net cash (used in) investing activities	(26,567,864)	(61,489,238)
Cash flow from financing activities		
Finance leases repaid	(9,295,096)	15,245,403
Dividend paid	(40,592,031)	(37,941,961)
Net cash (used in) financing activities	(49,887,127)	(22,696,558)
Net increase/(decrease) in cash and cash equivalents	51,245,640	(31,012,282)
Cash and cash equivalents at the beginning of the period	66,458,351	40,972,322
Cash and cash equivalents at the end of the period	117,703,991	9,960,040

The annexed notes 1 to 9 form an integral part of these financial statements.

Rawalpindi
April 27, 2006

Mrs. Akhter Khalid Waheed
Chairperson and Chief Executive

Osman Khalid Waheed
Director/President

FEROZSONS LABORATORIES LIMITED
STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE NINE MONTHS ENDED MARCH 31, 2006

	Share capital (Rupees)	Capital reserve (Rupees)	Reserve for Issue of bonus shares (Rupees)	Unappropriated Profit (Rupees)	Total (Rupees)
Balance as at June 30, 2004	55,201,760	321,843	22,080,706	164,874,732	242,479,041
Change in accounting policy: Proposed final dividend	—	—	—	22,080,704	22,080,704
Proposed Bonus Shares	—	—	(22,080,700)	22,080,700	—
Opening Balance as at July 01, restated	55,201,760	321,843	6	209,036,136	264,559,745
Net profit for the period	—	—	—	96,810,877	96,810,877
Bonus shares issued	22,080,700	—	—	(22,080,700)	—
Surplus on revaluation of property, plant & equipment realized through depreciation for the six months- net of deferred tax	—	—	—	191,142	191,142
Dividends	—	—	—	(41,401,319)	(41,401,319)
Balance as at March 31, 2005	77,282,460	321,843	6	242,556,136	320,160,445
Opening Balance as at July 01, 2005	77,282,460	321,843	6	305,866,486	383,470,795
Net profit for the period	—	—	—	137,879,110	137,879,110
Bonus shares issued	23,184,740	—	—	(23,184,740)	—
Surplus on revaluation of property, plant & equipment realized through depreciation for the six months- net of deferred tax	—	—	—	187,197	187,197
Final dividend Rs. 5.50 per share	—	—	—	(42,505,353)	(42,505,353)
Balance as at March 31, 2006	100,467,200	321,843	6	378,242,700	479,031,749

The annexed notes 1 to 9 form an integral part of these financial statements.

Rawalpindi
April 27, 2006

Mrs. Akhter Khalid Waheed
Chairperson and Chief Executive

Osman Khalid Waheed
Director/President

FEROZSONS LABORATORIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED MARCH 31, 2006 (UN-AUDITED)

1. Status and operations

Ferozsons Laboratories Limited ("the company") was incorporated as a private limited company on January 28, 1954 and was converted into a public limited company on September 8, 1960. The company is listed on Karachi, Lahore and Islamabad stock exchanges. The company is primarily engaged in the manufacture and sale of pharmaceuticals and soap products.

2. Basis of preparation

- 2.1 These financial statements have been prepared in accordance with the requirements of the International Accounting Standard 34 "Interim Financial Reporting" as applicable in Pakistan.
- 2.2 These financial statements are un-audited and are being submitted to shareholders as required by Section 245 of the Companies Ordinance, 1984.
- 2.3 The accounting policies adopted for the preparation of these financial statements are the same as those applied in the preparation of the annual financial statements of the Company for the preceding year ended June 30, 2005.

	Note	March 31, 2006 (Rupees)	June 30, 2005 (Rupees)
3. Property, Plant and Equipment			
Opening net book value		265,711,067	226,954,299
Add:			
Additions during the period		71,548,894	74,089,666
Less:			
Written down value of disposals 3.1		2,841,385	11,503,756
Depreciation		17,373,119	23,829,142
		20,214,504	35,332,898
		317,045,457	265,711,067
3.1 This includes soap plant, having written down value of Rs. 0.691 million, sold to M/s Crystal Soap & Consumer Products (Pvt) Limited, Karachi during the period.			
4. Long term investments			
Investment in subsidiary		24,819,165	19,105,159
Available for sale-unquoted shares		33,085	33,085
		24,852,250	19,138,244

5. Short Term Investments
Held for trading - Listed securities

Number of shares		Name of Companies	March 2006 (Rupees)		June 2005 (Rupees)	
March 2005	June 2005		Carrying value	Fair value	Carrying value	Fair value
190,000	8,00,000	Pakistan Telecommunication Company Limited 'A' class shares of Rs. 10 each	13,352,180	12,473,500	57,732,009	52,760,000
110,000	110,000	Hub Power Company Limited Ordinary shares of Rs. 10 each	4,083,770	2,530,000	4,083,770	2,904,000
—	5,000	Pakistan Oilfields Limited Ordinary shares of Rs. 10 each	—	—	1,341,979	1,407,000
10,000	—	Indus Motors Co. Ltd. Ordinary share of Rs. 10 each	1,363,887	1,872,500	—	—
75,000	—	Agri Autos Industries Ordinary share of Rs. 10 each	4,738,976	6,596,250	—	—
4,400	—	Pak Suzuki Motor Company Ltd. Ordinary share of Rs. 10 each	949,954	1,135,200	—	—
			24,488,767	24,607,450	63,157,758	57,071,000
		Unrealised Gain/(Loss) on account of remeasurement to fair value	118,683	—	(6,086,758)	—
			24,607,450	24,607,450	57,071,000	57,071,000
		Note	Quarter Ended March 31, 2006 (Rupees)	Nine Months Ended March 31, 2006 (Rupees)	Quarter Ended March 31, 2005 (Rupees)	Nine Months Ended March 31, 2005 (Rupees)
6. Cost of sales						
		6.1	77,485,083	207,731,205	64,921,504	178,186,650
			19,229,656	52,850,311	17,416,098	49,348,047
			6,576,470	3,182,690	6,314,540	3,748,567
			103,291,209	263,764,206	88,652,142	231,283,264
		Less: closing work in process	3,365,368	3,365,368	4,816,116	4,816,116
		Cost of goods manufactured	99,925,841	260,398,838	83,836,026	226,467,148
		Add: opening finished goods	36,556,064	34,542,087	38,601,157	22,819,607
			136,481,905	294,940,925	122,437,183	249,286,755
		Less: closing finished goods	61,155,082	61,155,082	44,277,153	44,277,153
		Cost of sales	75,326,823	233,785,843	78,160,030	205,009,602
6.1 Material consumed						
			57,039,166	55,752,379	52,257,514	54,689,766
		Add: purchases during the period	77,337,481	208,870,390	69,893,515	180,726,409
			134,376,647	264,622,769	122,151,029	235,416,175
		Less: closing stock	56,891,564	56,891,564	57,229,525	57,229,525
			77,485,083	207,731,205	64,921,504	178,186,650

7. Transactions with related parties

The related parties include associated companies, contributory provident fund, major shareholders, directors and key management personnel. Transactions with related parties other than remuneration and benefits to key management personnel under the terms of their employment are as follows:

	March 31, 2006 (Rupees)	March 31, 2005 (Rupees)
Sale of medicines	9,068,799	1,604,824
Payment of lease rentals on behalf of Farmacia	102,008	151,197
Contribution to Contributory provident fund	2,344,691	2,234,660

The following are related parties of the company:

- Farmacia
- KFW Factors (Private) Limited
- Contributory Provident Fund

Transactions with related parties are made at arm's length basis. The price charged to related party is generally determined under the "Comparable Uncontrolled Price Method".

8. Contingencies and commitments

- 8.1 Standard Chartered Bank Limited, Rawalpindi and Bank Alfalah Limited, Rawalpindi have issued letters of guarantee amounting to Rs. 0.768 million (June 2005: Rs. 0.768 million) on behalf of the company in the ordinary course of business.
- 8.2 Commitments in respect of irrevocable letters of credit amounted to Rs. 26.994 million (June 2005: Rs. 12.550 million) at the period end.
- 8.3 Certain cases are pending against the company in different Courts of law, however the management is confident of a favorable decision.

9. The figures have been rounded off to the nearest rupee.

Rawalpindi
April 27, 2006

Mrs. Akhter Khalid Waheed
Chairperson and Chief Executive

Osman Khalid Waheed
Director/President





*Consolidated Financial Statements
for the Quarter/Nine Months
Ended March 31, 2006*

FEROZSONS LABORATORIES LIMITED
197-A, The Mall, Rawalpindi

FEROZSONS
CONSOLIDATED BALANCE

	Note	March 31, 2006 Un-Audited (Rupees)	June 30, 2005 Audited (Rupees)
SHARE CAPITAL AND RESERVES			
Authorised capital		150,000,000	150,000,000
Issued, subscribed and paid up capital		100,467,200	77,282,460
Capital reserve		321,843	321,843
Reserve for issue of bonus shares		6	6
Unappropriated profit		378,242,700	305,866,486
		479,031,749	383,470,795
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT-net of tax		54,249,656	54,537,651
MINORITY INTEREST		506,514	389,902
NON CURRENT LIABILITIES			
Liabilities against assets subject to finance lease		2,092,742	11,873,821
Deferred liability for taxation		16,612,877	16,512,079
CURRENT LIABILITIES			
Trade and other payables		90,944,183	71,912,416
Current maturity of liabilities against assets subject to finance lease		11,942,218	11,456,235
Provision for taxation - net		27,483,398	25,029,808
Revolving advances		65,000	122,456
		130,434,799	108,520,915
		682,928,337	575,305,163

The annexed notes 1 to 9 form an integral part of these financial statements.
These financial statements were authorized for issue on April 27, 2006 by the Board of Directors of the Company.

Rawalpindi
April 27, 2006

LABORATORIES LIMITED
SHEET AS AT MARCH 31, 2006

	Note	March 31, 2006 Un-Audited (Rupees)	June 30, 2005 Audited (Rupees)
FIXED ASSETS-tangible			
Property, plant and equipment	3	319,713,305	268,730,981
LONG TERM INVESTMENTS			
	4	33,085	33,085
LONG TERM DEPOSITS			
		424,147	538,147
CURRENT ASSETS			
Stores, spares and loose tools		3,773,071	3,802,163
Stock in trade		130,706,526	100,545,997
Trade debts - Considered good		14,794,048	8,415,508
Loans and advances		44,327,301	44,416,421
Trade Deposits and short term prepayments		4,792,935	6,206,514
Other receivables		2,407,634	2,500,000
Short term investments	5	24,607,450	57,071,000
Cash and bank balances		137,348,835	83,045,347
		362,757,800	306,002,950
		<u>682,928,337</u>	<u>575,305,163</u>

Mrs. Akhter Khalid Waheed
Chairperson and Chief Executive

Osman Khalid Waheed
Director/President

FEROZSONS LABORATORIES LIMITED
CONSOLIDATED PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE NINE MONTHS ENDED MARCH 31, 2006

	Note	Quarter Ended March 31, 2006 (Rupees)	Nine Months Ended March 31, 2006 (Rupees)	Quarter Ended March 31, 2005 (Rupees)	Nine Months Ended March 31, 2005 (Rupees)
Gross sales		221,606,042	686,708,770	216,830,853	579,772,178
Less: Discount		20,001,857	60,984,433	24,196,091	52,146,371
Net sales		201,604,185	625,724,337	192,634,762	527,625,807
Cost of sales	6	92,109,350	286,871,022	92,052,587	250,179,637
Gross profit		109,494,835	338,853,315	100,582,175	277,446,170
Administrative expenses		13,565,560	38,951,787	8,509,789	24,473,137
Selling and distribution costs		42,480,503	117,551,627	37,966,214	105,809,506
Finance cost		433,647	1,461,456	434,594	1,280,327
		56,479,710	157,964,870	46,910,597	131,562,970
		53,015,125	180,888,445	53,671,578	145,883,200
Other income		9,995,804	15,830,985	5,345,479	8,918,479
Gain/(loss) on remeasurement of short term investment		(2,387,372)	118,683	(5,127,398)	(4,445,889)
		60,623,557	196,838,113	53,889,659	150,355,790
Workers' (Profit) Participation Fund		2,531,415	8,636,829	2,591,281	7,035,441
Central Research Fund		476,207	1,624,750	487,469	1,323,499
		3,007,622	10,261,579	3,078,750	8,358,940
Profit before taxation		57,615,935	186,576,534	50,810,909	141,996,850
Provision for taxation		13,137,486	48,580,812	16,222,879	45,101,638
Profit after taxation		44,478,449	137,995,722	34,588,030	96,895,212
Minority interest		(34,721)	(116,612)	(22,902)	(84,335)
		44,443,728	137,879,110	34,565,128	96,810,877
Earnings per share - basic and diluted (Rupees)		4.42	13.72	3.44	9.64

The annexed notes 1 to 9 form an integral part of these financial statements.

Rawalpindi
April 27, 2006

Mrs. Akhter Khalid Waheed
Chairperson and Chief Executive

Osman Khalid Waheed
Director/President

FEROZSONS LABORATORIES LIMITED
CONSOLIDATED CASH FLOW STATEMENT (UN-AUDITED)
FOR THE NINE MONTHS ENDED MARCH 31, 2006

	March 31, 2006 (Rupees)	March 31, 2005 (Rupees)
Profit before taxation	186,576,534	141,996,850
Cash flow from operating activities		
Adjustment for:		
Depreciation	17,608,828	17,389,371
Loss/(gain) on sale of property, plant and equipment	(4,891,115)	(1,058,120)
Finance cost	1,461,456	1,280,327
Profit/interest from investments/ bank deposits/capital gains	(10,939,870)	(7,716,322)
Gain/(Loss) on remeasurement of short term investments	(118,683)	4,445,889
	3,120,616	14,341,145
Operating profit before working capital changes	189,697,150	156,337,995
Decrease/(increase) in:		
Stocks and stores	(30,131,437)	(19,954,115)
Trade debtors	(6,378,540)	(2,117,691)
Advances, deposits, prepayments and other receivables	1,709,065	(67,683,696)
	(34,800,912)	(89,755,502)
Increase in current liabilities	17,060,989	24,144,699
	171,957,227	90,727,192
Finance cost	(1,461,456)	(1,280,327)
Taxes paid	(46,127,222)	(41,675,637)
	124,368,549	47,771,228
Cash flow from investing activities		
Long term investments	(71,432,537)	(56,513,023)
Capital expenditure	32,582,233	(11,241,602)
Profit/interest from investments/ bank deposits/capital gains received	10,939,870	7,716,322
Sale proceeds of property, plant & equipment	7,732,500	2,646,000
Net cash (used in) investing activities	(20,177,934)	(57,392,303)
Cash flow from financing activities		
Finance leases repaid	(9,295,096)	15,245,403
Dividend paid	(40,592,031)	(37,941,961)
Net cash (used in) financing activities	(49,887,127)	(22,696,558)
Net increase/(decrease) in cash and cash equivalents	54,303,488	(32,317,633)
Cash and cash equivalents at the beginning of the period	83,045,347	47,119,395
Cash and cash equivalents at the end of the period	137,348,835	14,801,762

The annexed notes 1 to 9 form an integral part of these financial statements.

Rawalpindi
April 27, 2006

Mrs. Akhter Khalid Waheed
Chairperson and Chief Executive

Osman Khalid Waheed
Director/President

FEROZSONS LABORATORIES LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE NINE MONTHS ENDED MARCH 31, 2006

	Share capital (Rupees)	Capital reserve (Rupees)	Reserve for Issue of bonus shares (Rupees)	Unappropriated Profit (Rupees)	Total (Rupees)
Balance as at June 30, 2004	55,201,760	321,843	22,080,706	164,874,732	242,479,041
Change in accounting policy: Proposed final dividend	—	—	—	22,080,704	22,080,704
Proposed Bonus Shares	—	—	(22,080,700)	22,080,700	—
Opening Balance as at July 01, restated	55,201,760	321,843	6	209,036,136	264,559,745
Net profit for the period	—	—	—	96,810,877	96,810,877
Bonus shares issued	22,080,700	—	—	(22,080,700)	—
Surplus on revaluation of property, plant & equipment realized through depreciation for the six months- net of deferred tax	—	—	—	191,142	191,142
Dividends	—	—	—	(41,401,319)	(41,401,319)
Balance as at March 31, 2005	77,282,460	321,843	6	242,556,136	320,160,445
Opening Balance as at July 01, 2005	77,282,460	321,843	6	305,866,486	383,470,795
Net profit for the period	—	—	—	137,879,110	137,879,110
Bonus shares issued	23,184,740	—	—	(23,184,740)	—
Surplus on revaluation of property, plant & equipment realized through depreciation for the six months- net of deferred tax	—	—	—	187,197	187,197
Final dividend Rs. 5.50 per share	—	—	—	(42,505,353)	(42,505,353)
Balance as at March 31, 2006	100,467,200	321,843	6	378,242,700	479,031,749

The annexed notes 1 to 9 form an integral part of these financial statements.

Rawalpindi
April 27, 2006

Mrs. Akhter Khalid Waheed
Chairperson and Chief Executive

Osman Khalid Waheed
Director/President

FEROZSONS LABORATORIES LIMITED
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED MARCH 31, 2006
(UN-AUDITED)

1. Status and operations

Ferozsons Laboratories Limited ("the company") was incorporated as a private limited company on January 28, 1954 and was converted into a public limited company on September 8, 1960. The company is listed on Karachi, Lahore and Islamabad stock exchanges. The company is primarily engaged in the manufacture and sale of pharmaceuticals and soap products.

2. Basis of preparation

2.1 These financial statements have been prepared in accordance with the requirements of the International Accounting Standard 34 "Interim Financial Reporting".

2.2 These financial statements are un-audited and are being submitted to shareholders as required by Section 245 of the Companies Ordinance, 1984.

2.3 The accounting policies adopted for the preparation of these financial statements are the same as those applied in the preparation of the annual accounts of the Company for the preceding year ended June 30, 2005. The consolidated financial statements include the financial statements of the holding company i.e. Ferozsons Laboratories Limited and its 98% owned partnership concern Farmacia.

	Note	March 31, 2006 (Rupees)	June 30, 2005 (Rupees)
3. Property, Plant and Equipment			
Opening net book value		268,730,981	230,372,487
Add:			
Additions during the period		71,432,537	74,097,016
Less:			
Written down value of disposals 3.1		2,841,385	11,503,756
Depreciation		17,608,828	24,234,766
		20,450,213	35,738,522
		319,713,305	268,730,981

3.1 This includes soap plant, having written down value of Rs. 0.691 million, sold to M/s Crystal Soap & Consumer Products (Pvt) Limited, Karachi during the period.

	Note	March 31, 2006 (Rupees)	June 30, 2005 (Rupees)
4. Long term investments			
Available for sale-unquoted shares		33,085	33,085

5. Short Term Investments
Held for trading - Listed securities

Number of shares		Name of Companies	March 2006 (Rupees)		June 2005 (Rupees)	
March 2005	June 2005		Carrying value	Fair value	Carrying value	Fair value
190,000	8,00,000	Pakistan Telecommunication Company Limited 'A' class shares of Rs. 10 each	13,352,180	12,473,500	57,732,009	52,760,000
110,000	110,000	Hub Power Company Limited Ordinary shares of Rs. 10 each	4,083,770	2,530,000	4,083,770	2,904,000
—	5,000	Pakistan Oilfields Limited Ordinary shares of Rs. 10 each	—	—	1,341,979	1,407,000
10,000	—	Indus Motors Co. Ltd. Ordinary share of Rs. 10 each	1,363,887	1,872,500	—	—
75,000	—	Agri Autos Industries Ordinary share of Rs. 10 each	4,738,976	6,596,250	—	—
4,400	—	Pak Suzuki Motor Company Ltd. Ordinary share of Rs. 10 each	949,954	1,135,200	—	—
			24,488,767	24,607,450	63,157,758	57,071,000
		Unrealised Gain/(Loss) on account of remeasurement to fair value	118,683	—	(6,086,758)	—
			24,607,450	24,607,450	57,071,000	57,071,000

	Note	Quarter Ended March 31, 2006 (Rupees)	Nine Months Ended March 31, 2006 (Rupees)	Quarter Ended March 31, 2005 (Rupees)	Nine Months Ended March 31, 2005 (Rupees)
6. Cost of sales					
Material consumed	6.1	94,267,610	260,816,384	79,020,302	223,356,686
Manufacturing expenses		19,229,656	52,850,311	17,209,857	49,348,046
Opening Work in process		6,576,470	3,182,690	6,314,540	3,748,567
		120,073,736	316,849,385	102,544,699	276,453,299
Less: closing work in process		3,365,368	3,365,368	4,816,116	4,816,116
Cost of goods manufactured		116,708,368	313,484,017	97,728,583	271,637,183
Add: opening finished goods		36,556,064	34,542,087	38,601,157	22,819,607
		153,264,432	348,026,104	136,329,740	249,456,790
Less: closing finished goods		61,155,082	61,155,082	44,277,153	44,277,153
Cost of sales		92,109,350	286,871,022	92,052,587	250,179,637
6.1 Material consumed					
Opening stock		61,776,150	59,221,233	56,206,332	61,068,946
Add: purchases during the period		93,897,743	263,001,434	83,893,495	223,367,265
		155,673,893	322,222,667	140,099,827	284,436,211
Less: closing stock		61,406,283	61,406,283	61,079,525	61,079,525
		94,267,610	260,816,384	79,020,302	223,356,686

7. Transactions with related parties

The related parties include associated companies, contributory provident fund, major shareholders, directors and key management personnel. Transactions with related parties other than remuneration and benefits to key management personnel under the terms of their employment are as follows:

	March 31, 2006 (Rupees)	March 31, 2005 (Rupees)
Contribution to Contributory provident fund	2,344,691	2,234,660

The following are related parties of the company:

- KFW Factors (Private) Limited
- Contributory Provident Fund

Transactions with related parties are made at arm's length basis. The price charged to related party is generally determined under the "Comparable Uncontrolled Price Method".

8. Contingencies and commitments

- 8.1 Standard Chartered Bank Limited, Rawalpindi and Bank Alfalah Limited, Rawalpindi have issued letters of guarantee amounting to Rs. 0.768 million (June 2005: Rs. 0.768 million) on behalf of the company in the ordinary course of business.
- 8.2 Commitments in respect of irrevocable letters of credit amounted to Rs. 26.994 million (June 2005: Rs. 12.550 million) at the period end.
- 8.3 Certain cases are pending against the company in different Courts of law, however the management is confident of a favorable decision.

9. The figures have been rounded off to the nearest rupee.

Rawalpindi
April 27, 2006

Mrs. Akhter Khalid Waheed
Chairperson and Chief Executive

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