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*Financial Statements  
for the Quarter/Six Months  
Ended December 31, 2005*

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FEROZSONS LABORATORIES LIMITED

197-A, The Mall, Rawalpindi

## **FEROZSONS LABORATORIES LIMITED**

### **DIRECTORS' REVIEW OF ACCOUNTS FOR THE QUARTER & HALF-YEAR ENDED DECEMBER 31, 2005**

We are pleased to present your company's individual and consolidated un-audited accounts for the half-year ended December 31, 2005. The consolidated accounts incorporate the Company's 98% owned Farmacia retail venture.

Net Sales of your Company during the six months ended December 31, 2005 were Rs. 378.972 Million, an improvement of 27.10% over the figure of Rs. 298.176 Million achieved during the first half of the previous year. Net Sales for the Quarter ended December 31, 2005 were Rs. 194.514 Million, a growth of 28.36% over the figure of Rs. 151.533 Million achieved during Quarter II of last year.

Owing to a much improved performance of the Company's Farmacia venture, Consolidated Net Sales including Farmacia also registered a healthy growth during the quarter and half-year under review. Consolidated Net Sales for the half year were Rs. 424.120 Million for the six-month period, a growth of 26.61% over the Sales of Rs. 334.991 Million for the same period of last year. For the Quarter ended December 31, Consolidated Net Sales stood at Rs. 216.967 Million, an improvement of 27.64% over Rs. 169.978 Million achieved in the corresponding quarter of last year.

Gross Profit (GP) of your company improved by 28.71% during the half year under review, from Rs. 171.326 Million for HY 2005 to Rs. 220.513 Million at the close of HY 2006. For the Quarter ended Dec 31, 2005, the GP stood at Rs. 108.149 Million, an increase of 31.62% over the GP of Rs. 82.166 Million achieved during the same quarter of last year.

Administrative Expenses of the Company increased by 111.36% and 59.03% for the quarter and half-year respectively. This increase is driven primarily by donations made by your Company towards relief for victims of the devastating earthquake that hit the North of Pakistan on October 8, 2005. Your Company donated medicines to the Red Crescent and cash towards the government's relief fund, Edhi and Islamic Relief. With the Board's approval, your company also financed the construction of a girls' high school in Hassa, near Balakot, which is now fully operational.

Selling and Distribution costs were kept under control, and increased by 9.68% to Rs. 72.022 Million during the Half Year under review. For the Quarter ended December 31, the increase in Selling and Distribution costs was a nominal 3.54%. Financial Cost, though lower for the Quarter by 16.16%, increased by 22.65% to Rs. 0.997 Million for the half-year under review.

Your Company's Net Profit from Operations for the half-year stood at Rs. 122.108 Million, an improvement of 37.38% over the figure of Rs. 88.883 Million achieved during HY 2005. After incorporating its share in Profit of Farmacia, other income and changes on remeasurement of short term investments, the Profit Before Taxation after deduction of Workers' Profit Participation and Central Research funds stood at Rs. 126.935 Million and Rs. 61.290 Million for the Half-year and Quarter under review, respectively.

After a provision for taxation of Rs. 33.500 Million (2005: Rs. 28.600 Million), the net Profit After Tax (NPAT) of your Company for the half-year stands at Rs. 93.435 Million, an improvement of 50.11% over the Net Profit of Rs. 62.246 Million achieved during the same period of the previous year. The NPAT for the Quarter stands at Rs. 50.791 Million, a growth of 65.55% over the figure of 30.679 Million achieved during the corresponding Quarter of last year.

The basic Earnings per Share (EPS) of your Company on its increased paid up capital after issue of 30% bonus shares last year, stand at Rs. 5.06 and Rs. 9.30 per 10-rupee share for the Quarter and the Half-year ended December 31, 2005, respectively.

While the Board considered the possibility of an interim dividend based on the improved financial results for the half year, it was decided - in view of the company's expansion into the new area of biotech pharmaceuticals at its site in Lahore - to defer the decision for the half year. The new plant is *Inshallah* expected to substantially improve the company's sales and profitability in the years to come.

#### **Future Scenario**

Your Company has completed the engineering and layout design phase of its proposed biotech plant in Lahore in partnership with its principals, the Bagó Group of Argentina. Construction is expected to commence in March, and the plant is *Inshallah* expected to come online by the middle of 2007. As mentioned in previous reports, the plant has been designed to meet European Union and USFDA regulatory Standards, and will *Inshallah* help your company develop a significant export base in the years to come, in addition to providing the highest standard of treatment for the patients of Pakistan at a lower cost.

Rawalpindi  
January 31, 2006

For and on Behalf of the Board of Directors  
(Mrs. Akhter Khalid Waheed)  
Chairperson and Chief Executive

# **FEROZSONS LABORATORIES LIMITED**

## **REVIEW REPORT TO THE MEMBERS**

We have reviewed the annexed balance sheet of Ferozsons Laboratories Limited as at 31 December 2005, and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof (herein-after referred to as the "financial statements") for the six months period then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these financial statements based on our review.

We conducted our review in accordance with the International Standard on Review Engagements 2400. This standard requires that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the annexed financial statements are not presented fairly, in all material respect, in accordance with approved accounting standards as applicable in Pakistan.

ISLAMABAD  
DATED JANUARY 31, 2006

KPMG Taseer Hadi & CO.  
CHARTERED ACCOUNTANTS

**FEROZSONS  
BALANCE SHEET**

NOTE	DECEMBER 31, 2005 UN-AUDITED (RUPEES)	JUNE 30, 2005 AUDITED (RUPEES)
<b>SHARE CAPITAL AND RESERVES</b>		
	150,000,000	150,000,000
	<u>100,467,200</u>	<u>77,282,460</u>
	321,843	321,843
	6	6
	<u>333,736,573</u>	<u>305,866,486</u>
	434,525,622	383,470,795
<b>SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT-net of tax</b>	54,345,654	54,537,651
<b>NON CURRENT LIABILITIES</b>		
	7,519,763	11,873,821
	19,079,278	16,512,079
<b>CURRENT LIABILITIES</b>		
	63,451,096	66,697,360
	9,979,013	11,456,235
	22,970,324	23,927,980
	65,000	122,456
	<u>96,465,433</u>	<u>102,204,031</u>
	<u>611,935,750</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 January 31, 2006 by the Board of Directors of the Company.

Rawalpindi  
January 31, 2006

**LABORATORIES LIMITED**  
**AS AT DECEMBER 31, 2005**

	NOTE	DECEMBER 31, 2005 UN-AUDITED (RUPEES)	JUNE 30, 2005 AUDITED (RUPEES)
<b>FIXED ASSETS-tangible</b>			
Property, plant and equipment	3	268,453,664	265,711,067
<b>LONG TERM INVESTMENTS</b>	4	23,150,917	19,138,244
<b>LONG TERM DEPOSITS</b>		434,947	526,947
<b>CURRENT ASSETS</b>			
Stores, spares and loose tools		3,382,341	3,802,163
Stock in trade		100,171,700	97,077,143
Trade debts - Considered good		11,974,302	5,763,040
Loans and advances		47,101,262	44,357,908
Trade Deposits and short term prepayments		7,215,478	6,192,514
Other receivables		2,486,344	2,500,000
Short term investments	5	64,488,000	57,071,000
Cash and bank balances		83,076,796	66,458,351
		319,896,223	283,222,119
		<u>611,935,751</u>	<u>568,598,377</u>

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 / SIX MONTHS ENDED DECEMBER 31, 2005**

	NOTE	QUARTER ENDED DECEMBER 31, 2005 (RUPEES)	SIX MONTHS ENDED DECEMBER 31, 2005 (RUPEES)	QUARTER ENDED DECEMBER 31, 2004 (RUPEES)	SIX MONTHS ENDED DECEMBER 31, 2004 (RUPEES)
Gross sales		213,126,449	418,742,612	165,004,528	325,478,330
Less: Discount		18,612,520	39,770,254	13,471,755	27,302,649
Net sales		194,513,929	378,972,358	151,532,773	298,175,681
Cost of sales	6	86,365,362	158,459,020	69,366,814	126,849,572
Gross profit		108,148,567	220,513,338	82,165,959	171,326,109
Administrative expenses		16,326,519	25,386,227	7,724,327	15,963,348
Selling and distribution costs		35,305,084	72,021,603	34,097,367	65,666,508
Finance cost		443,932	997,235	529,512	813,053
		52,075,535	98,405,065	42,351,206	82,442,909
		56,073,032	122,108,273	39,814,753	88,883,200
Other income		516,444	5,562,338	1,671,065	3,551,028
Gain on remeasurement of short term investment		5,812,076	2,506,055	1,782,868	681,509
Share in Profit of Farmacia 98% owned partnership		2,219,699	4,012,673	2,375,567	3,010,202
		64,621,251	134,189,339	45,644,253	96,125,939
Workers' (Profit) Participation Fund		2,803,652	6,105,414	1,990,738	4,444,160
Central Research Fund		527,419	1,148,543	374,495	836,030
		3,331,071	7,253,957	2,365,233	5,280,190
Profit before taxation		61,290,180	126,935,382	43,279,020	90,845,749
Provision for taxation		10,500,000	33,500,000	12,600,000	28,600,000
Profit after taxation		50,790,180	93,435,382	30,679,020	62,245,749
Earnings per share - basic and diluted (Rupees)		5.06	9.30	3.05	6.20

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

Rawalpindi  
January 31, 2006

Mrs. Akhter Khalid Waheed  
Chairperson and Chief Executive

Osman Khalid Waheed  
Director/President

## FEROZSONS LABORATORIES LIMITED

### CASH FLOW STATEMENT (UN-AUDITED) FOR THE SIX MONTHS ENDED DECEMBER 31, 2005

	DECEMBER 31, 2005 (RUPEES)	DECEMBER 31, 2004 (RUPEES)
Profit before taxation	126,935,382	90,845,749
Cash flow from operating activities		
Adjustment for:		
Depreciation	11,156,455	10,856,215
Loss/(gain) on sale of property, plant and equipment	(4,508,794)	2,310
Finance cost	997,235	813,053
Profit/interest from investments/ bank deposits/capital gains	(1,053,544)	(3,553,338)
Gain on remeasurement of short term investments	(2,506,055)	(681,509)
	4,085,297	7,436,731
Operating profit before working capital changes	131,020,679	98,282,480
Decrease/(increase) in:		
Stocks and stores	(2,674,735)	(13,382,855)
Trade debtors	(6,211,262)	(3,912,754)
Advances, deposits, prepayments and other receivables	(3,660,661)	(4,138,104)
	(12,546,658)	(21,433,713)
Increase/(decrease) in current liabilities	(8,809,949)	30,798,277
	109,664,072	107,647,044
Finance cost	(997,235)	(813,053)
Taxes paid	(31,957,656)	(29,754,982)
	76,709,181	77,079,009
Cash flow from investing activities		
Long term investments	(4,012,673)	(3,010,202)
Capital expenditure	(16,173,758)	(44,753,688)
Short term investments	(4,910,945)	11,870,546
Profit/interest from investments/ bank deposits/capital gains received	1,053,544	3,553,338
Sale proceeds of property, plant & equipment	6,783,500	39,000
Net cash used in investing activities	(17,260,332)	(32,301,006)
Cash flow from financing activities		
Finance leases repaid	(5,831,280)	18,469,092
Dividend paid	(36,999,124)	(19,005,874)
Net cash from/(used in) financing activities	(42,830,404)	(536,782)
Net increase/(decrease) in cash and cash equivalents	16,618,445	44,241,221
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	83,076,796	85,213,543

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

Rawalpindi  
January 31, 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 SIX MONTHS ENDED DECEMBER 31, 2005

	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	—	—	—	62,245,749	62,245,749
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	—	—	—	127,428	127,428
Dividends	—	—	—	(22,080,704)	(22,080,704)
Balance as at December 31, 2004	77,282,460	321,843	6	227,247,909	304,852,218
Opening Balance as at July 01, 2005	77,282,460	321,843	6	305,866,486	383,470,795
Net profit for the period	—	—	—	93,435,382	93,435,382
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	—	—	—	124,798	124,798
Final dividend Rs. 5.50 per share	—	—	—	(42,505,353)	(42,505,353)
Balance as at December 31, 2005	100,467,200	321,843	6	333,736,573	434,525,622

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

Rawalpindi  
January 31, 2006

Mrs. Akhter Khalid Waheed  
Chairperson and Chief Executive

Osman Khalid Waheed  
Director/President

# FEROZSONS LABORATORIES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED DECEMBER 31, 2005 (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	DECEMBER 31, 2005 (RUPEES)	DECEMBER 31, 2004 (RUPEES)
<b>3. Property, Plant and Equipment</b>			
Opening net book value		265,711,067	226,954,299
Add:			
Additions during the period		16,173,758	74,089,666
Less:			
Written down value of disposals 3.1		2,274,706	11,503,756
Depreciation		11,156,455	23,829,142
		13,431,161	35,332,898
		268,453,664	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.			
<b>4. Long term investments</b>			
Investment in subsidiary		23,117,832	19,105,159
Held to maturity		—	—
Available for sale-unquoted shares		33,085	33,085
		23,150,917	19,138,244

**5. Short Term Investments**  
Held for trading - Listed securities

Number of shares		Name of Companies	December 2005 (Rupees)		June 2005 (Rupees)	
December 2005	June 2005		Carrying value	Fair value	Carrying value	Fair value
6,00,000	8,00,000	Pakistan Telecommunication Company Limited 'A' class shares of Rs. 10 each	42,164,776	39,240,000	57,732,009	52,760,000
110,000	110,000	Hub Power Company Limited Ordinary shares of Rs. 10 each	4,083,770	2,640,000	4,083,770	2,904,000
30,000	5,000	Pakistan Oilfields Limited Ordinary shares of Rs. 10 each	12,773,658	12,840,000	1,341,979	1,407,000
20,000	—	Indus Motors Co. Ltd. Ordinary share of Rs. 10 each	2,727,773	3,518,000	—	—
100,000	—	Agri Autos Industries Ordinary share of Rs. 10 each	6,318,726	6,250,000	—	—
			<u>68,068,703</u>	<u>64,488,000</u>	<u>63,157,758</u>	<u>57,071,000</u>
		Unrealised loss on account of remeasurement to fair value	(3,580,703)	—	(6,086,758)	—
			<u>64,488,000</u>	<u>64,488,000</u>	<u>57,071,000</u>	<u>57,071,000</u>
		NOTE	QUARTER ENDED DECEMBER 31, 2005 (RUPEES)	SIX MONTHS ENDED DECEMBER 31, 2005 (RUPEES)	QUARTER ENDED DECEMBER 31, 2004 (RUPEES)	SIX MONTHS ENDED DECEMBER 31, 2004 (RUPEES)

**6. Cost of sales**

Material consumed	6.1	61,905,918	130,864,909	66,084,644	113,265,146
Manufacturing expenses		18,346,047	33,620,655	20,218,295	31,931,949
Opening Work in process		6,346,160	3,182,690	2,809,499	3,748,567
		<u>86,598,125</u>	<u>167,668,254</u>	<u>89,112,438</u>	<u>148,945,662</u>
Less: closing work in process		6,576,470	6,576,470	6,314,540	6,314,540
Cost of goods manufactured		<u>80,021,655</u>	<u>161,091,784</u>	<u>82,797,898</u>	<u>142,631,122</u>
Less: cost of medicines donated		(618,787)	(618,787)	—	—
		<u>79,402,868</u>	<u>160,472,997</u>	<u>82,797,898</u>	<u>142,631,122</u>
Add: opening finished goods		43,518,558	34,542,087	25,170,073	22,819,607
		<u>122,921,426</u>	<u>195,015,084</u>	<u>107,967,971</u>	<u>165,450,729</u>
Less: closing finished goods		36,556,064	36,556,064	38,601,157	38,601,157
Cost of sales		<u>86,365,362</u>	<u>158,459,020</u>	<u>69,366,814</u>	<u>126,849,572</u>
6.1 Material consumed					
Opening stock		52,858,989	55,752,379	55,449,959	54,689,766
Add: purchases during the period		66,086,095	132,151,696	62,892,199	110,832,894
		<u>118,945,084</u>	<u>187,904,075</u>	<u>118,342,158</u>	<u>165,522,660</u>
Less: closing stock		57,039,166	57,039,166	52,257,514	52,257,514
		<u>61,905,918</u>	<u>130,864,909</u>	<u>66,084,644</u>	<u>113,265,146</u>

**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:

	DECEMBER 31, 2005 (RUPEES)	DECEMBER 31, 2004 (RUPEES)
Sale of medicines	5,563,044	1,251,514
Payment of lease rentals on behalf of Farmacia	68,006	—
Contribution to Contributory provident fund	1,483,154	1,502,494

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. 33.033 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  
January 31, 2006

Mrs. Akhter Khalid Waheed  
Chairperson and Chief Executive

Osman Khalid Waheed  
Director/President





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*Consolidated Financial Statements  
for the Quarter/Six Months  
Ended December 31, 2005*

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FEROZSONS LABORATORIES LIMITED

197-A, The Mall, Rawalpindi

**FEROZSONS**  
**CONSOLIDATED BALANCE**

NOTE	DECEMBER 31, 2005 UN-AUDITED (RUPEES)	JUNE 30, 2005 AUDITED (RUPEES)
<b>SHARE CAPITAL AND RESERVES</b>		
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	333,736,573	305,866,486
	<u>434,525,622</u>	<u>383,470,795</u>
<b>SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT-net of tax</b>	54,345,654	54,537,651
<b>MINORITY INTEREST</b>	471,794	389,902
<b>NON CURRENT LIABILITIES</b>		
Liabilities against assets subject to finance lease	7,519,763	11,873,821
Deferred Liability for Taxation	19,079,278	16,512,079
<b>CURRENT LIABILITIES</b>		
Trade and other payables	67,457,614	71,912,416
Current maturity of liabilities against assets subject to finance lease	9,979,013	11,456,235
Provision for taxation - net	23,983,592	25,029,808
Revolving advances	65,000	122,456
	<u>101,485,219</u>	<u>108,520,915</u>
	<u>617,427,330</u>	<u>575,305,163</u>

The annexed notes 1 to 9 form an integral part of these financial statements.  
These Financial Statements were authorized for issue on January 31, 2006 by the  
Board of Directors of the Company.

Rawalpindi  
January 31, 2006

**LABORATORIES LIMITED**  
**SHEET AS AT DECEMBER 31, 2005**

	NOTE	DECEMBER 31, 2005 UN-AUDITED (RUPEES)	JUNE 30, 2005 AUDITED (RUPEES)
<b>FIXED ASSETS-tangible</b>			
Property, plant and equipment	3	271,305,619	268,730,981
<b>LONG TERM INVESTMENTS</b>	4	33,085	33,085
<b>LONG TERM DEPOSITS</b>		445,147	538,147
<b>CURRENT ASSETS</b>			
Stores, spares and loose tools		3,382,341	3,802,163
Stock in trade		104,908,684	100,545,997
Trade debts - Considered good		16,354,977	8,415,508
Loans and advances		47,130,762	44,416,421
Trade Deposits and short term prepayments		7,233,780	6,206,514
Other receivables		2,486,344	2,500,000
Short term investments	5	64,488,000	57,071,000
Cash and bank balances		99,658,591	83,045,347
		345,643,479	306,002,950
		<u>617,427,330</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 QUARTER / SIX MONTHS ENDED DECEMBER 31, 2005**

	NOTE	QUARTER ENDED DECEMBER 31, 2005 (RUPEES)	SIX MONTHS ENDED DECEMBER 31, 2005 (RUPEES)	QUARTER ENDED DECEMBER 31, 2004 (RUPEES)	SIX MONTHS ENDED DECEMBER 31, 2004 (RUPEES)
Gross sales		236,223,088	465,102,728	183,793,611	362,941,325
Less: Discount		19,256,287	40,982,576	13,815,198	27,950,280
Net sales		216,966,801	424,120,152	169,978,413	334,991,045
Cost of sales	6	104,099,956	194,761,672	84,084,761	158,127,050
Gross profit		112,866,845	229,358,480	85,893,652	176,863,995
Administrative expenses		16,326,519	25,386,227	7,724,327	15,963,348
Selling and distribution costs		36,919,710	75,071,124	35,294,266	67,843,292
Finance cost		455,928	1,027,809	562,192	845,733
		53,702,157	101,485,160	43,580,785	84,652,373
		59,164,688	127,873,320	42,312,867	92,211,622
Other income		647,963	5,835,181	1,690,577	3,573,000
Gain on remeasurement of short term investments		5,812,076	2,506,055	1,782,868	681,509
		65,624,727	136,214,556	45,786,312	96,466,131
Workers' (Profit) Participation Fund		2,803,652	6,105,414	1,990,738	4,444,160
Central Research Fund		527,419	1,148,543	374,495	836,030
		3,331,071	7,253,957	2,365,233	5,280,190
Profit before taxation		62,293,656	128,960,599	43,421,079	91,185,941
Provision for taxation		11,458,176	35,443,326	12,693,578	28,878,759
Profit after taxation		50,835,480	93,517,273	30,727,501	62,307,182
Minority interest		(45,300)	(81,891)	(48,481)	(61,433)
		50,790,180	93,435,382	30,679,020	62,245,749
Earnings per share - basic and diluted (Rupees)		5.06	9.30	3.05	6.20

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

Rawalpindi  
January 31, 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 SIX MONTHS ENDED DECEMBER 31, 2005**

	DECEMBER 31, 2005 (RUPEES)	DECEMBER 31, 2004 (RUPEES)
Profit before taxation	128,960,599	91,185,941
Cash flow from operating activities		
Adjustment for:		
Depreciation	11,333,114	11,062,454
Loss/(gain) on sale of property, plant and equipment	(4,508,794)	2,310
Finance cost	1,027,809	845,733
Profit/interest from investments/ bank deposits/capital gains	(1,326,387)	(3,573,000)
Loss on remeasurement of short term investments	(2,506,055)	(681,509)
	4,019,687	7,655,988
Operating profit before working capital changes	132,980,286	98,841,929
Decrease/(increase) in:		
Stocks and stores	(3,942,865)	(10,952,493)
Trade debtors	(7,939,469)	(3,229,859)
Advances, deposits, prepayments and other receivables	(3,634,951)	(4,107,110)
	(15,517,285)	(18,289,462)
Increase/(decrease) in current liabilities	(10,018,487)	30,066,601
	107,444,514	110,619,068
Finance cost	(1,027,809)	(845,733)
Taxes paid	(33,989,542)	(30,044,941)
	72,427,163	79,728,394
Cash flow from investing activities		
Capital expenditure	(16,182,458)	(44,790,286)
Short term investments	(4,910,945)	11,870,546
Profit/interest from investments/ bank deposits/capital gains received	1,326,387	3,573,000
Sale proceeds of property, plant & equipment	6,783,500	39,000
Net cash used in investing activities	(12,983,516)	(29,307,740)
Cash flow from financing activities		
Finance leases repaid	(5,831,280)	18,469,092
Dividend paid	(36,999,124)	(19,005,874)
Net cash from/(used in) financing activities	(42,830,404)	(536,782)
Net increase/(decrease) in cash and cash equivalents	16,613,243	49,883,872
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	99,658,591	97,003,267

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

Rawalpindi  
January 31, 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 SIX MONTHS ENDED DECEMBER 31, 2005**

	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	—	—	—	62,245,749	62,245,749
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	—	—	—	127,428	127,428
Dividends	—	—	—	(22,080,704)	(22,080,704)
Balance as at December 31, 2004	<u>77,282,460</u>	<u>321,843</u>	<u>6</u>	<u>227,247,909</u>	<u>304,852,218</u>
Opening Balance as at July 01, 2005	77,282,460	321,843	6	305,866,486	383,470,795
Net profit for the period	—	—	—	93,435,382	93,435,382
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	—	—	—	124,798	124,798
Final dividend Rs. 5.50 per share	—	—	—	(42,505,353)	(42,505,353)
Balance as at December 31, 2005	<u>100,467,200</u>	<u>321,843</u>	<u>6</u>	<u>333,736,573</u>	<u>434,525,622</u>

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

Rawalpindi  
January 31, 2006

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Chairperson and Chief Executive

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**FEROZSONS LABORATORIES LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS ENDED DECEMBER 31, 2005**  
**(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. 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	DECEMBER 31, 2005 (RUPEES)	DECEMBER 31, 2004 (RUPEES)
<b>3. Property, Plant and Equipment</b>			
Opening net book value		268,730,981	230,372,487
Add:			
Additions during the period		16,182,458	74,097,016
Less:			
Written down value of disposals 3.1		2,274,706	11,503,756
Depreciation		11,333,114	24,234,766
		13,607,820	35,738,522
		271,305,619	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.

**4. Long term investments**

Held to maturity	—	—	
Available for sale-unquoted shares	33,085	33,085	
	33,085	33,085	

**5. Short Term Investments**  
Held for trading - Listed securities

Number of shares		Name of Companies	December 2005 (Rupees)		June 2005 (Rupees)	
December 2005	June 2005		Carrying value	Fair value	Carrying value	Fair value
8,00,000	8,00,000	Pakistan Telecommunication Company Limited 'A' class shares of Rs. 10 each	42,164,776	39,240,000	57,732,009	52,760,000
110,000	110,000	Hub Power Company Limited Ordinary shares of Rs. 10 each	4,083,770	2,640,000	4,083,770	2,904,000
30,000	5,000	Pakistan Oilfield Limited Ordinary shares of Rs. 10 each	12,773,658	12,840,000	1,341,979	1,407,000
20,000	—	Indus Motors Co. Ltd. Ordinary shares of Rs. 10 each	2,727,773	3,518,000	—	—
100,000	—	Agri Autos Industries Ordinary shares of Rs. 10 each	6,318,726	6,250,000	—	—
			<u>68,068,703</u>	<u>64,488,000</u>	<u>63,157,758</u>	<u>57,071,000</u>
		Unrealised gain/(loss) on account of remeasurement to fair value	(3,580,703)	—	(6,086,758)	—
			<u>64,488,000</u>	<u>64,488,000</u>	<u>57,071,000</u>	<u>57,071,000</u>
		NOTE	QUARTER ENDED DECEMBER 31, 2005 (RUPEES)	SIX MONTHS ENDED DECEMBER 31, 2005 (RUPEES)	QUARTER ENDED DECEMBER 31, 2004 (RUPEES)	SIX MONTHS ENDED DECEMBER 31, 2004 (RUPEES)

**6. Cost of sales**

Material consumed	6.1	79,640,512	167,167,561	80,699,490	144,336,384
Manufacturing expenses		18,346,047	33,620,655	20,321,396	32,138,189
Opening Work in process		6,346,160	3,182,690	2,809,499	3,748,567
		<u>104,332,719</u>	<u>203,970,906</u>	<u>103,830,385</u>	<u>180,223,140</u>
Less: closing work in process		6,576,470	6,576,470	6,314,540	6,314,540
Cost of goods manufactured		<u>97,756,249</u>	<u>197,394,436</u>	<u>97,515,845</u>	<u>173,908,600</u>
Less: cost of medicines donated		(618,787)	(618,787)	—	—
		<u>97,137,462</u>	<u>196,775,649</u>	<u>97,515,845</u>	<u>173,908,600</u>
Add: opening finished goods		43,518,558	34,542,087	25,170,073	22,819,607
		<u>140,656,020</u>	<u>231,317,736</u>	<u>122,685,918</u>	<u>196,728,207</u>
Less: closing finished goods		36,556,064	36,556,064	38,601,157	38,601,157
Cost of sales		<u>104,099,956</u>	<u>194,761,672</u>	<u>84,084,761</u>	<u>158,127,050</u>
<b>6.1 Material consumed</b>					
Opening stock		56,810,207	59,221,233	59,412,959	61,068,946
Add: purchases during the period		84,606,455	169,722,478	77,492,863	139,473,770
		<u>141,416,662</u>	<u>228,943,711</u>	<u>136,905,822</u>	<u>200,542,716</u>
Less: closing stock		61,776,150	61,776,150	56,206,332	56,206,332
		<u>79,640,512</u>	<u>167,167,561</u>	<u>80,699,490</u>	<u>144,336,384</u>

**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:

	SIX MONTHS ENDED DECEMBER 31, 2005 (RUPEES)	SIX MONTHS ENDED DECEMBER 31, 2004 (RUPEES)
Contribution to Contributory provident fund	1,498,754	1,502,494

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. 33.033 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  
January 31, 2006

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