



---

*Financial Statements  
for the Quarter Ended  
September 30, 2005*

---

FEROZSONS LABORATORIES LIMITED  
197-A, The Mall, Rawalpindi



**FEROZSONS LABORATORIES LIMITED**  
**DIRECTORS' REVIEW FOR THE QUARTER ENDED**  
**SEPTEMBER 30, 2005**

We are pleased to present your Company's individual and consolidated Financial Statements for the Quarter ended September 30, 2005. The consolidated Financial Statements present the combined financial results of the Company's pharmaceutical Manufacturing operations and its retail Farmacia Division, which was separated as a legal entity under permission of the Shareholders on May 26, 2003.

Your Company's Net Sales improved by 25.79% during the Quarter under review, from Rs. 146.643 million in the first Quarter of last year to Rs. 184.458 million during Q1 of the current year.

We are glad to report that after a successful restructuring, your Company's Farmacia Operations reported a handsome increase in both sales and profitability. Consolidated Net Sales of your Company inclusive of Farmacia increased by 25.54% to Rs. 207.153 million, compared to Rs. 165.013 million achieved during the first Quarter of last year. At the same time, your Company's share in the profit of Farmacia improved by 183% for the Quarter to Rs. 1,793 million, from Rs. 0.635 million during the same period last year.

Gross Profit of your Company increased to Rs. 112.364 million, an improvement of 26.03% from the Gross Profit of Rs. 89.160 million achieved during the same quarter last year.

Administrative Expenses increased to Rs. 9.060 million during the Quarter (an increase of 9.96%), whereas Selling and Distribution Expenses increased by 16.31% to Rs. 36.717 million for the Quarter. Financial expenses increased from Rs. 0.284 million to Rs. 0.553 million during the same period, owing to increased payment of lease rental.

After a provision for taxation and other government levies of Rs. 26.923 million, the Net Profit of your Company for the Quarter under review stands at Rs. 42.645 million, an increase of 35.10% over the figure of Rs. 31.567 million for the corresponding period of last year. The Quarterly Earnings per share (EPS) of your Company on its increased Paid-up capital (after issue of 30% bonus shares for the year ended June 30, 2005) stand at Rs. 4.24, compared to Rs. 3.14 achieved during the First Quarter of last year.

We are optimistic that the performance of your Company will Inshallah improve further during the coming quarters.

For and on behalf of the Board of Directors

October 24, 2005

(Mrs. Akhter Khalid Waheed)  
Chairperson & Chief Executive

## FEROZSONS BALANCE SHEET

	SEPTEMBER 30, 2005 UN-AUDITED (RUPEES)	JUNE 30, 2005 AUDITED (RUPEES)
<b>SHARE CAPITAL AND RESERVES</b>		
Issued, subscribed and paidup capital	100,467,200	77,282,460
Capital reserve	321,843	321,843
Reserve for issue of bonus shares	6	6
Unappropriated profit	282,883,994	305,866,486
	<b>383,673,043</b>	383,470,795
<b>SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT-net of tax</b>		
	54,441,653	54,537,651
<b>NON CURRENT LIABILITIES</b>		
Liabilities against assets subject to finance lease	12,313,722	11,873,821
<b>DEFERRED LIABILITY FOR TAXATION</b>		
	16,545,678	16,512,079
<b>CURRENT LIABILITIES</b>		
Trade and other payables	107,864,831	66,697,360
Current maturity of liabilities against assets subject to finance lease	8,078,237	11,456,235
Provision for taxation - net	35,226,309	23,927,980
Revolving advances	122,456	122,456
	<b>151,291,833</b>	102,204,031
	<b>618,265,929</b>	568,598,377

The annexed notes 1 to 9 form an integral part of these financial statements.  
These Financial Statements were authorized for issue on October 24, 2005 by the Board of Directors of the Company.

Rawalpindi  
October 24, 2005

**LABORATORIES LIMITED**  
**AS AT SEPTEMBER 30, 2005**

	NOTE	SEPTEMBER 30, 2005 UN-AUDITED (RUPEES)	JUNE 30, 2005 AUDITED (RUPEES)
<b>FIXED ASSETS-tangible</b>			
Property, plant and equipment	3	263,954,140	265,711,067
<b>LONG TERM INVESTMENTS</b>	4	<b>20,931,218</b>	19,138,244
<b>LONG TERM DEPOSITS</b>		<b>546,947</b>	526,947
<b>CURRENT ASSETS</b>			
Stores, spares and loose tools		3,579,750	3,802,163
Stock in trade		105,863,133	97,077,143
Trade debts		10,661,693	5,763,040
Loans and advances		48,771,151	44,357,908
Trade Deposits and short term prepayments		7,538,644	6,192,514
Other receivables		2,523,874	2,500,000
Short term investments	5	52,423,000	57,071,000
Cash and bank balances		101,472,379	66,458,351
		<b>332,833,624</b>	283,222,119
		<b>618,265,929</b>	<b>568,598,377</b>

Mrs. Akhter Khalid Waheed  
Chairperson and Chief Executive

Osman Khalid Waheed  
Director/President

## FEROZSONS LABORATORIES LIMITED

### PROFIT AND LOSS ACCOUNT (UNAUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2005

	NOTE	QUARTER ENDED SEPTEMBER 30, 2005 (RUPEES)	QUARTER ENDED SEPTEMBER 30, 2004 (RUPEES)
NET SALES		<b>184,458,429</b>	146,642,908
COST OF SALES	6	<b>72,093,658</b>	57,482,758
Gross profit		<b>112,364,771</b>	89,160,150
Administrative expenses		<b>9,059,708</b>	8,239,021
Selling and distribution costs		<b>36,716,519</b>	31,569,141
Finance cost		<b>553,303</b>	283,541
		<b>46,329,530</b>	40,091,703
		<b>66,035,241</b>	49,068,447
Other income		<b>5,045,894</b>	1,879,963
Loss on remeasurement of short term investments		<b>(3,306,021)</b>	(1,101,359)
Share in Profit of Farmacia 98% owned partnership		<b>1,792,974</b>	634,635
		<b>69,568,088</b>	50,481,686
Workers' (Profit) Participation Fund		<b>3,301,762</b>	2,453,422
Central Research Fund		<b>621,124</b>	461,535
		<b>3,922,886</b>	2,914,957
PROFIT BEFORE TAXATION		<b>65,645,202</b>	47,566,728
PROVISION FOR TAXATION		<b>23,000,000</b>	16,000,000
PROFIT AFTER TAXATION		<b>42,645,202</b>	31,566,728
Earnings per share - basic and diluted		<b>4.24</b>	3.14

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

Rawalpindi  
October 24, 2005

Mrs. Akhter Khalid Waheed  
Chairperson and Chief Executive

Osman Khalid Waheed  
Director/President

# FEROZSONS LABORATORIES LIMITED

## CASH FLOW STATEMENT (UN-AUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2005

	SEPTEMBER 30, 2005 (RUPEES)	SEPTEMBER 30, 2004 (RUPEES)
Profit before taxation	65,645,202	47,566,728
Cash flow from operating activities		
Adjustment for:		
Depreciation	5,237,310	4,109,168
Loss/(gain) on sale of fixed assets	(4,370,765)	—
Finance cost	553,303	252,245
Profit /interest from investments/bank deposits/capital gains	(675,129)	(1,879,963)
Loss on remeasurement of short term investments	3,306,021	—
	4,050,740	2,481,450
Operating profit before working capital changes	69,695,942	50,048,178
Decrease/(increase) in:		
Stocks and stores	(8,563,577)	(1,294,327)
Trade debtors	(4,898,653)	(4,849,694)
Advances, deposits, prepayments and other receivables	(5,803,247)	(1,561,633)
	(19,265,477)	(7,705,654)
Increase/(decrease) in current liabilities	(1,284,598)	4,524,321
	49,145,867	46,866,845
Finance cost	(553,303)	(252,245)
Taxes paid	(11,701,671)	(8,988,154)
	36,890,893	37,626,446
Cash flow from investing activities		
Long term investments	(1,792,974)	(634,635)
Capital expenditure	(5,538,868)	(11,558,435)
Short term investments	1,341,979	(9,196,633)
Profit/interest from investments/bank deposits/capital gains received	675,129	1,879,963
Sale proceeds of fixed assets	6,429,250	—
Net cash used in investing activities	1,114,516	(19,509,740)
Cash flow from financing activities		
Finance leases repaid	(2,938,097)	4,817,461
Dividend paid	(53,284)	(24,596)
Net cash from/(used in) financing activities	(2,991,381)	4,792,865
Net increase/(decrease) in cash and cash equivalents	35,014,028	22,909,571
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	101,472,379	63,881,893

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

Rawalpindi  
October 24, 2005

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 QUARTER ENDED SEPTEMBER 30, 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
Net profit for the period	—	—	—	31,566,728	31,566,728
Bonus shares issued	—	—	—	—	—
Surplus on revaluation of fixed assets realized through depreciation for the three months- net of deferred tax	—	—	—	98,022	98,022
Interim dividend	—	—	—	—	—
Balance as at September 30, 2004	<u>55,201,760</u>	<u>321,843</u>	<u>22,080,706</u>	<u>196,539,482</u>	<u>274,143,791</u>
Balance as at June 30, 2005	<b>77,282,460</b>	<b>321,843</b>	<b>6</b>	<b>305,866,486</b>	<b>383,470,795</b>
Net profit for the period	—	—	—	42,645,202	42,645,202
Bonus shares issued	<b>23,184,740</b>	—	—	<b>(23,184,740)</b>	—
Surplus on revaluation of fixed assets realized through depreciation for the three months- net of deferred tax	—	—	—	62,399	62,399
Final dividend Rs. 5.50 Per share.	—	—	—	<b>(42,505,353)</b>	<b>(42,505,353)</b>
Balance as at September 30, 2005	<u><b>100,467,200</b></u>	<u><b>321,843</b></u>	<u><b>6</b></u>	<u><b>282,883,994</b></u>	<u><b>383,673,043</b></u>

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

Rawalpindi  
October 24, 2005

Mrs. Akhter Khalid Waheed  
Chairperson and Chief Executive

Osman Khalid Waheed  
Director/President

# FEROZSONS LABORATORIES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE QUARTER ENDED SEPTEMBER 30, 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.

	SEPTEMBER 30, 2005 (RUPEES)	JUNE 30 2005 (RUPEES)
<b>3. Property, Plant and Equipment</b>		
Opening net book value	265,711,195	226,954,299
Add:		
Additions during the period	5,538,740	74,089,666
Less:		
Written down value of disposals for the period	2,058,485	11,503,756
Depreciation	5,237,310	23,829,142
	7,295,795	35,332,898
	263,954,140	265,711,067
<b>4. Long term investments</b>		
Investment in subsidiary (4.1)	20,898,133	19,105,159
Held to maturity	—	—
Available for sale-unquoted shares	33,085	33,085
	20,931,218	19,138,244
4.1 Long term investment in Farmacia-98% owned partnership concern O/B	19,105,159	14,271,654
Share of profit/(loss) of Farmacia for the period	1,792,974	4,833,505
	20,898,133	19,105,159

		<b>SEPTEMBER 30, 2005 (RUPEES)</b>		<b>JUNE 30, 2005 (RUPEES)</b>		
<b>5</b>	<b>Short Term Investment</b>					
	Held for trading	5.1	52,423,000	57,071,000		
	5.1 Held for trading - Listed securities					
		<b>SEPTEMBER, 2005 (RUPEES)</b>		<b>JUNE, 2005 (RUPEES)</b>		
Number of shares	Name of Companies					
Sept 2005	June 2005	Carrying value	Fair value	Carrying value	Fair value	
800,000	800,000	Pakistan Telecommunication Company Ltd. 'A' class shares of Rs. 10 each	57,732,009	49,200,000	57,732,009	52,760,000
110,000	110,000	Hub Power Company Limited Ordinary shares of Rs. 10 each	4,083,770	3,223,000	4,083,770	2,904,000
—	5,000	Pakistan Oilfields Limited Ordinary shares of Rs. 10 each	—	—	1,341,979	1,407,000
		<b>61,815,779</b>	<b>52,423,000</b>	63,157,758	57,071,000	
		Unrealised loss on account of remeasurement to fair value		<b>(9,392,779)</b>	—	(6,086,758)
		<b>52,423,000</b>	<b>52,423,000</b>	57,071,000	57,071,000	

		<b>QUARTER ENDED SEPTEMBER 30, 2005 (RUPEES)</b>		<b>QUARTER ENDED SEPTEMBER 30, 2004 (RUPEES)</b>	
<b>6.</b>	<b>Cost of sales</b>				
	Material consumed	6.1	68,958,991	47,180,502	
	Manufacturing expenses		15,274,609	11,713,654	
	Opening Work in process		3,182,690	3,748,567	
			<b>87,416,290</b>	62,642,723	
	Less: closing work in process		6,346,160	2,809,499	
	Cost of goods manufactured		81,070,130	59,833,224	
	Add: opening finished goods		34,542,087	22,819,607	
			<b>115,612,217</b>	82,652,831	
	Less: closing finished goods		43,518,558	25,170,073	
	Cost of sales		<b>72,093,658</b>	57,482,758	
	6.1 Material consumed				
	Opening stock		55,752,379	54,689,766	
	Add: purchases during the period		66,065,601	47,940,695	
			<b>121,817,980</b>	102,630,461	
	Less: closing stock		52,858,989	55,449,959	
			<b>68,958,991</b>	47,180,502	

## 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:

	<b>SEPTEMBER 30, 2005 (RUPEES)</b>	SEPTEMBER 30, 2004 (RUPEES)
Sale of medicines	<b>2,042,226</b>	849,769
Payment of lease rentals on behalf of Farmacia	<b>34,003</b>	—
Contribution to Contributory provident fund	<b>701,559</b>	749,621

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. 20.019 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 favourable decision.

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

Rawalpindi  
October 24, 2005

Mrs. Akhter Khalid Waheed  
Chairperson and Chief Executive

Osman Khalid Waheed  
Director/President





---

***Consolidated  
Financial Statements  
for the Quarter Ended  
September 30, 2005***

---

FEROZSONS LABORATORIES LIMITED  
197-A, The Mall, Rawalpindi

**FEROZSONS**  
**CONSOLIDATED BALANCE**

	SEPTEMBER 30, 2005 UN-AUDITED (RUPEES)	JUNE 30, 2005 AUDITED (RUPEES)
<b>SHARE CAPITAL AND RESERVES</b>		
Issued, subscribed and paidup capital	100,467,200	77,282,460
Capital reserve	321,843	321,843
Reserve for issue of bonus shares	6	6
Unappropriated profit	282,883,994	305,866,486
	<u>383,673,043</u>	<u>383,470,795</u>
<b>SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT-net of tax</b>	<b>54,441,653</b>	<b>54,537,651</b>
<b>MINORITY INTEREST</b>	<b>426,493</b>	<b>389,902</b>
<b>NON CURRENT LIABILITIES</b>		
Liabilities against assets subject to finance lease	12,313,722	11,873,821
<b>DEFERRED LIABILITY FOR TAXATION</b>	<b>16,545,678</b>	<b>16,512,079</b>
<b>CURRENT LIABILITIES</b>		
Trade and other payables	111,636,513	71,912,416
Current maturity of liabilities against assets subject to finance lease	8,078,237	11,456,235
Provision for taxation - net	36,051,068	25,029,808
Revolving advances	122,456	122,456
	<u>155,888,274</u>	<u>108,520,915</u>
	<u><u>623,288,863</u></u>	<u><u>575,305,163</u></u>

The annexed notes 1 to 9 form an integral part of these financial statements.  
These Financial Statements were authorized for issue on October 24, 2005 by the Board  
of Directors of the Company.

Rawalpindi  
October 24, 2005

**LABORATORIES LIMITED**  
**SHEET AS AT SEPTEMBER 30, 2005**

	NOTE	SEPTEMBER 30, 2005 UN-AUDITED (RUPEES)	JUNE 30, 2005 AUDITED (RUPEES)
<b>FIXED ASSETS-tangible</b>			
Property, plant and equipment	3	266,894,424	268,730,981
<b>LONG TERM INVESTMENTS</b>	4	<b>33,085</b>	33,085
<b>LONG TERM DEPOSITS</b>		<b>557,147</b>	538,147
<b>CURRENT ASSETS</b>			
Stores, spares and loose tools		<b>3,579,750</b>	3,802,163
Stock in trade		<b>109,814,351</b>	100,545,997
Trade debts		<b>14,573,373</b>	8,415,508
Loans and advances		<b>48,826,068</b>	44,416,421
Trade Deposits and short term prepayments		<b>7,565,472</b>	6,206,514
Other receivables		<b>2,523,874</b>	2,500,000
Short term investments	5	<b>52,423,000</b>	57,071,000
Cash and bank balances		<b>116,498,319</b>	83,045,347
		<b>355,804,207</b>	306,002,950
		<b>623,288,863</b>	575,305,163

Mrs. Akhter Khalid Waheed  
Chairperson and Chief Executive

Osman Khalid Waheed  
Director/President

**FEROZSONS LABORATORIES LIMITED**  
**CONSOLIDATED PROFIT AND LOSS ACCOUNT (UNAUDITED)**  
**FOR THE QUARTER ENDED SEPTEMBER 30, 2005**

	NOTE	QUARTER ENDED SEPTEMBER 30, 2005 (RUPEES)	QUARTER ENDED SEPTEMBER 30, 2004 (RUPEES)
Net sales		<b>207,153,351</b>	165,012,632
Cost of sales	6	<b>90,661,716</b>	74,042,289
Gross profit		<b>116,491,635</b>	90,970,343
Administrative expenses		<b>9,059,708</b>	8,239,021
Selling and distribution costs		<b>38,151,414</b>	32,549,026
Finance cost		<b>571,881</b>	283,541
		<b>47,783,003</b>	41,071,588
		<b>68,708,632</b>	49,898,755
Other income		<b>5,187,218</b>	1,882,423
Loss on remeasurement of short term investments		<b>(3,306,021)</b>	(1,101,359)
		<b>70,589,829</b>	50,679,819
Workers' (Profit) Participation Fund		<b>3,301,762</b>	2,453,423
Central Research Fund		<b>621,124</b>	461,535
		<b>3,922,886</b>	2,914,958
Profit before taxation		<b>66,666,943</b>	47,764,861
Provision for taxation		<b>23,985,150</b>	16,185,181
Profit after taxation		<b>42,681,793</b>	31,579,680
Minority interest		<b>(36,591)</b>	(12,952)
		<b>42,645,202</b>	31,566,728
Earnings per share - basic and diluted		<b>4.24</b>	3.14

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

Rawalpindi  
October 24, 2005

Mrs. Akhter Khalid Waheed  
Chairperson and Chief Executive

Osman Khalid Waheed  
Director/President

**FEROZSONS LABORATORIES LIMITED**  
**CONSOLIDATED CASH FLOW STATEMENT (UN-AUDITED)**  
**FOR THE QUARTER ENDED SEPTEMBER 30, 2005**

	SEPTEMBER 30, 2005 (RUPEES)	SEPTEMBER 30, 2004 (RUPEES)
Profit before taxation	<b>66,666,943</b>	47,764,861
Cash flow from operating activities		
Adjustment for:		
Depreciation	<b>5,325,640</b>	4,212,307
Loss/(gain) on sale of fixed assets	<b>(4,370,765)</b>	—
Finance cost	<b>571,881</b>	252,245
Profit /interest from investments/bank deposits/capital gains	<b>(816,453)</b>	(1,879,963)
Loss on remeasurement of short term investments	<b>3,306,021</b>	—
	<b>4,016,324</b>	2,584,589
Operating profit before working capital changes	<b>70,683,267</b>	50,349,450
Decrease/(increase) in:		
Stocks and stores	<b>(9,045,941)</b>	1,121,853
Trade debtors	<b>(6,157,865)</b>	(4,493,347)
Advances, deposits, prepayments and other receivables	<b>(5,811,479)</b>	(1,533,093)
	<b>(21,015,285)</b>	(4,904,587)
Increase/(decrease) in current liabilities	<b>(2,727,972)</b>	4,485,271
	<b>46,940,010</b>	49,930,134
Finance cost	<b>(571,881)</b>	(252,245)
Taxes paid	<b>(12,963,890)</b>	(9,141,421)
	<b>33,404,239</b>	40,536,468
Cash flow from investing activities		
Capital expenditure	<b>(5,547,568)</b>	(11,595,805)
Short term investments	<b>1,341,979</b>	(9,196,633)
Profit/interest from investments/bank deposits/capital gains received	<b>816,453</b>	1,879,963
Sale proceeds of fixed assets	<b>6,429,250</b>	—
Net cash used in investing activities	<b>3,040,114</b>	(18,912,475)
Cash flow from financing activities		
Finance leases repaid	<b>(2,938,097)</b>	4,817,461
Dividend paid	<b>(53,284)</b>	(24,596)
Net cash from/(used in) financing activities	<b>(2,991,381)</b>	4,792,865
Net increase/(decrease) in cash and cash equivalents	<b>33,452,972</b>	26,416,858
Cash and cash equivalents at the beginning of the period	<b>83,045,347</b>	47,119,395
Cash and cash equivalents at the end of the period	<b>116,498,319</b>	73,536,253

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

Rawalpindi  
October 24, 2005

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 QUARTER ENDED SEPTEMBER 30, 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
Net profit for the period	—	—	—	31,566,728	31,566,728
Bonus shares issued	—	—	—	—	—
Surplus on revaluation of fixed assets realized through depreciation for the three months- net of deferred tax	—	—	—	98,022	98,022
Interim dividend	—	—	—	—	—
Balance as at September 30, 2004	<u>55,201,760</u>	<u>321,843</u>	<u>22,080,706</u>	<u>196,539,482</u>	<u>274,143,791</u>
Balance as at June 30, 2005	<b>77,282,460</b>	<b>321,843</b>	<b>6</b>	<b>305,866,486</b>	<b>383,470,795</b>
Net profit for the period	—	—	—	<b>42,645,202</b>	<b>42,645,202</b>
Bonus shares issued	<b>23,184,740</b>	—	—	<b>(23,184,740)</b>	—
Surplus on revaluation of fixed assets realized through depreciation for the three months- net of deferred tax	—	—	—	<b>62,399</b>	<b>62,399</b>
Final dividend Rs. 5.50 Per share.	—	—	—	<b>(42,505,353)</b>	<b>(42,505,353)</b>
Balance as at September 30, 2005	<u><b>100,467,200</b></u>	<u><b>321,843</b></u>	<u><b>6</b></u>	<u><b>282,883,994</b></u>	<u><b>383,673,043</b></u>

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

Rawalpindi  
October 24, 2005

Mrs. Akhter Khalid Waheed  
Chairperson and Chief Executive

Osman Khalid Waheed  
Director/President

**FEROZSONS LABORATORIES LIMITED**  
**CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE**  
**QUARTER ENDED SEPTEMBER 30, 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".

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.

<b>3. Property, Plant and Equipment</b>	<b>SEPTEMBER 30, 2005 (RUPEES)</b>	<b>JUNE 30, 2005 (RUPEES)</b>
Opening net book value	<b>268,731,109</b>	230,372,487
Add:		
Additions during the period	<b>5,547,440</b>	74,097,016
Less:		
Written down value of disposals for the period	<b>2,058,485</b>	11,503,756
Depreciation	<b>5,325,640</b>	24,234,766
	<b>7,384,125</b>	35,738,522
	<b>266,894,424</b>	268,730,981

**4. Long term investments**

Held to maturity	—	—
Available for sale-unquoted shares	<b>33,085</b>	33,085
	<b>33,085</b>	33,085

		<b>SEPTEMBER 30, 2005 (RUPEES)</b>		<b>JUNE 30, 2005 (RUPEES)</b>		
<b>5</b>	<b>SHORT TERM INVESTMENTS</b>					
	Held for trading	5.1	<b>52,423,000</b>	57,071,000		
	5.1 Held for trading - Listed securities					
		<b>SEPTEMBER, 2005 (RUPEES)</b>		<b>JUNE, 2005 (RUPEES)</b>		
Number of shares	Name of Companies					
<b>Sept 2005</b>	<b>June 2005</b>	<b>Carrying value</b>	<b>Fair value</b>	<b>Carrying value</b>	<b>Fair value</b>	
<b>800,000</b>	800,000	Pakistan Telecommunication Company Ltd. 'A' class shares of Rs. 10 each	<b>57,732,009</b>	<b>49,200,000</b>	57,732,009	52,760,000
<b>110,000</b>	110,000	Hub Power Company Limited Ordinary shares of Rs. 10 each	<b>4,083,770</b>	<b>3,223,000</b>	4,083,770	2,904,000
<b>—</b>	5,000	Pakistan Oilfields Limited Ordinary shares of Rs. 10 each	<b>—</b>	<b>—</b>	1,341,979	1,407,000
		<b>61,815,779</b>	<b>52,423,000</b>	63,157,758	57,071,000	
Unrealised loss on account of remeasurement to fair value		<b>(9,392,779)</b>	<b>—</b>	(6,086,758)	<b>—</b>	
		<b>52,423,000</b>	<b>52,423,000</b>	57,071,000	57,071,000	

		<b>QUARTER ENDED SEPTEMBER 30, 2005 (RUPEES)</b>		<b>QUARTER ENDED SEPTEMBER 30, 2004 (RUPEES)</b>	
<b>6.</b>	<b>Cost of sales</b>				
	Material consumed	6.1	<b>87,527,049</b>	63,636,894	
	Manufacturing expenses		<b>15,274,609</b>	11,816,793	
	Opening Work in process		<b>3,182,690</b>	3,748,567	
			<b>105,984,348</b>	79,202,254	
	Less: closing work in process		<b>6,346,160</b>	2,809,499	
			<b>99,638,188</b>	76,392,755	
	Cost of goods manufactured		<b>34,542,087</b>	22,819,607	
			<b>134,180,275</b>	99,212,362	
	Less: closing finished goods		<b>43,518,558</b>	25,170,073	
			<b>90,661,716</b>	74,042,289	
<b>6.1</b>	<b>Material consumed</b>				
	Opening stock		<b>59,221,233</b>	61,068,946	
	Add: purchases during the period		<b>85,116,023</b>	61,980,907	
			<b>144,337,256</b>	123,049,853	
	Less: closing stock		<b>56,810,207</b>	59,412,959	
			<b>87,527,049</b>	63,636,894	

## 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:

	<b>SEPTEMBER 30, 2005 (RUPEES)</b>	<b>SEPTEMBER 30, 2004 (RUPEES)</b>
Contribution to Contributory provident fund	<b>709,359</b>	749,621

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. 20.019 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 favourable decision.

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

Rawalpindi  
October 24, 2005

Mrs. Akhter Khalid Waheed  
Chairperson and Chief Executive

Osman Khalid Waheed  
Director/President