



***Condensed Interim
Financial Information
for the Quarter/Six Months
Ended December 31, 2007***



FEROZSONS
LABORATORIES LIMITED

DIRECTORS' REVIEW OF THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE QUARTER & HALF YEAR ENDED DECEMBER 31, 2007

We are pleased to present your Company's individual and consolidated un-audited condensed interim financial information for the Quarter & Half-year ended December 31, 2007. The condensed interim consolidated financial information incorporate the Company's 98% owned Farmacia retail venture, as well as its subsidiary BF Biosciences Limited which is now expected to become operational by the middle of this year. Insha'Allah.

The Quarter under review has been one of turbulence and great tragedy for the nation. Uncertainty following the imposition of emergency on November 3rd was greatly compounded in December by the assassination of Mohtarma Benazir Bhutto. Consequently December, which already had fewer working days because of Eid holidays, was badly hit in terms of sales. Unfortunately, the company also faced certain supply delays during the quarter on its imported biotech products, resulting in sporadic shortages, which also hampered your company's sales.

Net Sales of your Company's pharmaceutical operations showed a decrease of 11.53% for the 2nd Quarter, from Rs. 240.098 Million of the same Quarter of the last year to 212.406 Million during the Quarter under review. For the six months ended December 31, 2007, our Net Sales closed at Rs. 453.816 Million, a decrease of 0.46% over the figure of Rs. 455.913 Million achieved during the first half of the previous year. Similarly, Consolidated Net Sales including Farmacia also showed a down fall in comparison with last year's 2nd Quarter and Half-year under review. For the Quarter ended December 31, 2007 Consolidated Net Sales stood at Rs. 234.351 Million, showing a decrease of 11.06% over Rs. 263.505 Million achieved in the corresponding quarter of last year. Consolidated Net Sales for the half year were Rs. 502.369 Million which were decreased by 0.27% in comparison with the Sales of Rs. 503.749 Million for the same period of last year.

Consequently, the cost of sales of your company also decreased by 10.52% and 2.26% as compared to the cost of sales of the 2nd Quarter and six months of last year respectively, thus resulting in a decreased Gross Profit (GP) Ratio of 55.70% for 2nd Quarter compared to the 56.21% of the same quarter last year and a marginal decrease in GP Ratio of 56.42% for six months in comparison with 55.62% for the same period last year. In absolute terms the GP of the 2nd Quarter stood at Rs. 118.318 Million, showing a decrease of 12.33% over the GP of Rs. 134.951 Million in comparison with the same 2nd quarter of last year. However the GP for six months stood at Rs. 256.026 Million with an increase to 0.97% over the GP of Rs. 253.566 Million in comparison with the same six months of last year. The GP margins of the consolidated results also showed the similar trend in comparison with the same quarter and six months of last year.

Your Company's Net Profit Before Tax showed a decrease of 5.72% in 2nd Quarter and increase of 5.09% for six months as a whole respectively with an absolute Rs. 4.193 Million over the figure of Rs. 73.282 Million for 2nd quarter last year and registering an overall increase of Rs. 6.888 Million over the figure of Rs. 135.288 Million for six months last year, respectively.

Net Profit After Tax (NPAT) of your Company stood at Rs. 50.961 Million for the 2nd Quarter with a decrease of 6.99% over the NPAT of Rs. 54.792 Million achieved during the same quarter last year. Simultaneously, the NPAT for the Half Year stands at Rs. 105.634 Million, with an increase of 1.78% over the figure of Rs. 103.788 Million achieved during the corresponding six months of last year.

Based on the net profit for the quarter and six months ended December 31, 2007 the Earning per Share (EPS), both basic and diluted, stand at Rs. 3.52 and Rs. 7.30 per share respectively, compared to an EPS of Rs. 3.79 and Rs. 7.17 of same respective periods of last year, on the expended capital of Rs. 144.673 Million after the issuance of bonus share during the 1st Quarter.

Future Scenario

As mentioned earlier, the Quarter just ended was an immensely challenging period for the Company and for Pakistan. It is prayed that we are able to achieve a measure of stability during the remainder of the year, and that the transition to democracy is a fair, transparent and peaceful one.

Any issues of stability aside, the coming six months should bring greater growth and profitability compared to the first half of the year. The Company also has a few launches planned in the field of cardiology that should help bring an improved position in the top line and bottom line of the Company.

For and on behalf of the Board of Directors

(Mrs. Akhter Khalid Waheed)
Chairperson & Chief Executive

Independent Auditors' Report on Review of Interim Financial Information to the Members of Ferozsons Laboratories Limited

Introduction

We have reviewed the accompanying condensed interim balance sheet of Ferozsons Laboratories Limited ("the company") as of December 31, 2007 and the related condensed interim profit and loss account, condensed interim cash flow statement and condensed interim statement of changes in equity for the six-months' period then ended (the interim financial information). Management is responsible for the preparation and fair presentation of this interim financial information in accordance with the approved accounting standards as applicable in Pakistan. Our responsibility is to express a conclusion on this interim financial information based on our review. The figures for the quarter ended December 31, 2007 in the condensed interim profit and loss account have not been reviewed as we are required to review only the cumulative figures for the half year ended December 31, 2007.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information as of and for the six months' period ended December 31, 2007, is not prepared in all material respects, in accordance with the approved accounting standards as applicable in Pakistan.

Islamabad
January 31, 2008

KPMG TASEER HADI & CO.
CHARTERED ACCOUNTANTS

CONDENSED INTERIM BALANCE SHEET

	NOTE	DECEMBER 31, 2007 UN-AUDITED (RUPEES)	JUNE 30, 2007 AUDITED (RUPEES)
SHARE CAPITAL AND RESERVES			
Share capital	3	144,672,768	120,560,640
Reserves			
Capital reserve		321,843	321,843
Revenue reserve - unappropriated profit		567,366,241	561,722,124
		<u>712,360,852</u>	<u>682,604,607</u>
SURPLUS ON REVALUATION OF FIXED ASSETS-net of tax			
		254,497,849	256,984,285
NON CURRENT LIABILITIES			
Long term financing - secured	4	164,962,500	75,187,500
Liabilities against assets subject to finance lease		1,996,534	1,024,253
Interest rate swap	4.1	6,604,172	-
Deferred liability for taxation		49,697,447	48,302,487
		223,260,653	124,514,240
CURRENT LIABILITIES			
Trade and other payables		131,284,946	131,024,480
Accrued markup of long term financing		3,925,860	1,610,432
Current portion of long term financing		54,987,500	17,312,500
Current maturity of liabilities against assets subject to finance lease		2,826,027	4,310,822
Current portion of interest rate swap		6,124,237	-
Provision for taxation - net		5,393,516	-
		<u>204,542,086</u>	<u>154,258,234</u>
		<u><u>1,394,661,440</u></u>	<u><u>1,218,361,366</u></u>

CONTINGENCIES AND COMMITMENTS 10

The annexed notes 1 to 12 form an integral part of this condensed interim information.

AS AT DECEMBER 31, 2007

	NOTE	DECEMBER 31, 2007 UN-AUDITED (RUPEES)	JUNE 30, 2007 AUDITED (RUPEES)
FIXED ASSETS			
Property, plant and equipment	5	560,294,128	539,455,959
LONG TERM INVESTMENTS			
	6	156,314,077	149,606,959
LONG TERM LOAN			
		164,962,500	75,187,500
LONG TERM DEPOSITS			
		856,417	600,447
CURRENT ASSETS			
Stores, spares and loose tools		3,460,603	4,280,632
Stock in trade		142,420,047	133,816,190
Trade debts - considered good		30,788,877	31,937,773
Current portion of long term loan		54,987,500	17,312,500
Loans and advances - considered good		26,755,061	14,546,615
Deposits and prepayments		3,770,965	3,015,174
Interest accrued		3,925,860	2,485,196
Other receivables		17,263,702	14,103,388
Advance income tax - net		-	3,362,895
Short term investments	7	152,805,951	186,969,198
Cash and bank balances		76,055,752	41,680,940
		512,234,318	453,510,501
		1,394,661,440	1,218,361,366

CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED) FOR THE SIX MONTHS ENDED DECEMBER 31, 2007

NOTE	3 Months Ended December 31, 2007 (RUPEES)	3 Months Ended December 31, 2006 (RUPEES)	6 Months Ended December 31, 2007 (RUPEES)	6 Months Ended December 31, 2006 (RUPEES)
Net sales	212,406,273	240,097,610	453,816,080	455,913,017
Cost of sales	(94,087,975)	(105,146,155)	(197,789,158)	(202,356,021)
Gross profit	118,318,298	134,951,455	256,026,922	253,556,996
Other income	24,800,251	3,395,279	31,414,377	9,622,391
Administrative expenses	(15,346,804)	(11,210,704)	(28,945,587)	(23,076,063)
Selling and distribution cost	(44,468,454)	(52,623,779)	(96,707,989)	(102,566,381)
Finance cost	(14,278,099)	(354,295)	(17,830,582)	(862,540)
Other expenses	(3,538,664)	(4,203,724)	(8,487,614)	(7,547,645)
Share in profit of Farmacia - 98% owned partnership firm	3,602,994	3,328,083	6,707,118	6,161,746
Profit before taxation	69,089,522	73,282,315	142,176,645	135,288,504
Provision for taxation	(18,128,432)	(18,489,837)	(36,542,420)	(31,500,000)
Profit after taxation	50,961,090	54,792,478	105,634,225	103,788,504
Earnings per share - basic and diluted	3.52	3.79	7.30	7.17

The annexed notes 1 to 12 form an integral part of this condensed interim financial information.

CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED) FOR THE SIX MONTHS ENDED DECEMBER 31, 2007

	6 Months Ended DECEMBER 31, 2007 (RUPEES)	6 Months Ended December 31, 2006 (RUPEES)
Cash flows from operating activities		
Profit before taxation	142,176,645	135,288,504
Adjustments for:		
Depreciation	19,518,680	18,399,265
Gain on disposal of property, plant and equipment	(339,375)	(1,228,900)
Finance cost	17,828,857	862,540
Dividends, capital gains and income from investments and deposits	(31,075,002)	(7,520,491)
Share in profit of Farmacia-98% owned subsidiary firm	(6,707,118)	(6,161,746)
Loss/ (gain) on remeasurement of short term investments	1,725	(873,000)
	(772,233)	3,477,668
	141,404,412	138,766,172
Working capital changes		
(Increase)/ decrease in stocks and stores	(7,783,828)	19,461,750
Decrease/ (increase) in trade debtors	1,148,896	(14,354,334)
(Increase)/ decrease in loans, advances, deposits, prepayments and other receivables	(2,145,669)	318,635
(Decrease)/Increase in trade and other payables	(9,241,504)	12,355,823
	(18,022,105)	17,781,874
Cash generated from operations	123,382,307	156,548,046
Finance cost paid	(2,785,020)	(862,540)
Income taxes paid	(26,391,049)	(35,902,118)
	(29,176,069)	(36,764,658)
Net cash from operating activities	94,206,238	119,783,388
Cash flows from investing activities		
Long term investments	-	(6,125,746)
Long term loan	(127,450,000)	-
Purchase of property, plant and equipment	(40,668,849)	(17,556,001)
Short term investments	34,161,522	(51,055,250)
Dividends, capital gains and income from investments and deposits	15,399,486	7,520,491
Sale proceeds of property, plant and equipment	651,375	1,714,500
Net cash used in investing activities	(117,906,466)	(65,502,006)
Cash flows from financing activities		
Payment of finance lease liabilities	(512,514)	(5,350,769)
Proceeds from long term financing	127,450,000	-
Dividend paid	(68,862,446)	(38,657,004)
Net cash from/(used in) financing activities	58,075,040	(44,007,773)
Net increase in cash and cash equivalents during the period	34,374,812	10,273,609
Cash and cash equivalents at beginning of the period	41,680,940	12,301,864
Cash and cash equivalents at end of the period	76,055,752	22,575,473

The annexed notes 1 to 12 form an integral part of this condensed interim financial information.

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED) FOR THE SIX MONTHS ENDED DECEMBER 31, 2007

	Share capital	Capital reserve	Revenue reserve unappropriated Profit	Total Equity
	(Rupees)	(Rupees)	(Rupees)	(Rupees)
Balance as at June 30, 2006	100,467,200	321,843	416,294,570	517,083,613
Final dividend for the year ended June 30, 2006 Rs. 4.00 per share	—	—	(40,186,880)	(40,186,880)
Bonus shares issued at 20% for the year ended June 30, 2006	20,093,440	—	(20,093,440)	—
Transfer from surplus on revaluation of fixed assets - net of tax	—	—	2,726,857	2,726,857
Net income recognized directly in equity	—	—	2,726,857	2,726,857
Net profit for the period	—	—	103,788,504	103,788,504
Total recognized income for the period	—	—	106,515,361	106,515,361
Balance as at December 31, 2006	<u>120,560,640</u>	<u>321,843</u>	<u>462,529,611</u>	<u>583,412,094</u>
Balance as at June 30, 2007	120,560,640	321,843	561,722,124	682,604,607
Final dividend for the year ended June 30, 2007 Rs. 6.50 per share	—	—	(78,364,416)	(78,364,416)
Bonus shares issued at 20% for the year ended June 30, 2007	24,112,128	—	(24,112,128)	—
Transfer from surplus on revaluation of fixed assets - net of tax	—	—	2,486,436	2,486,436
Net income recognized directly in equity	—	—	2,486,436	2,486,436
Net profit for the period	—	—	105,634,225	105,634,225
Total recognized income for the period	—	—	108,120,661	108,120,661
Balance as at December 31, 2007	<u>144,672,768</u>	<u>321,843</u>	<u>567,366,241</u>	<u>712,360,852</u>

The annexed notes 1 to 12 form an integral part of this condensed interim financial information.

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE SIX MONTHS ENDED DECEMBER 31, 2007**

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 08, 1960. The company is listed on the Karachi, Lahore and Islamabad stock exchanges. The company is primarily engaged in the manufacture and sale of pharmaceuticals products and its registered office is situated at 197-A, The Mall, Rawalpindi. The company is domiciled in Rawalpindi, Pakistan.

2. Basis of preparation

- 2.1 These condensed interim financial information have been prepared in accordance with the requirements of the International Accounting Standard 34 "Interim Financial Reporting" as applicable in Pakistan.
- 2.2 This condensed interim financial information is un-audited and is being submitted to shareholders as required by Section 245 of the Companies Ordinance, 1984.
- 2.3 This condensed interim financial information should be read in conjunction with annual audited financial statements for the year ended June 30, 2007. Comparative balance sheet is extracted from annual audited financial statements for the year ended June 30, 2007 whereas comparative profit and loss account, statement of changes in equity, and cash flow statement are stated from unaudited condensed interim financial information for the six months ended December 31, 2006.
- 2.4 Accounting policies, related judgments, estimates and assumptions adopted for preparation of this condensed interim financial information are the same as those applied in preparation of the annual financial statements for the year ended June 30, 2007 except for the following inclusion of accounting policy:

Derivative financial instruments

The Company holds derivative financial instrument as cash flow hedge to hedge its interest rate risk exposure. Derivatives are recognized initially at fair value; attributable transaction costs are recognized in profit or loss when incurred. Subsequent to initial recognition, derivatives are measured at fair value and changes in fair value are recognized directly in equity to the extent that the hedge is effective. To the extent that the hedge is ineffective, changes in fair value are recognized in profit or loss. If the hedging instrument no longer meets the criteria of hedge accounting, expires or is sold, terminated or exercised, then the hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognized in equity remains there until the forecast transaction occurs.

	NOTE	DECEMBER 31, 2007 (UN-AUDITED) (RUPEES)	JUNE 30, 2007 (AUDITED) (RUPEES)
3. SHARE CAPITAL			
Authorized share capital			
25,000,000 (June 30, 2007: 15,000,000) ordinary shares of Rs. 10 each		<u>250,000,000</u>	<u>150,000,000</u>
Issued, subscribed and paid up capital			
1,441,952 (June 30, 2007: 1,441,952) ordinary shares of Rs. 10 each fully paid in cash		14,419,520	14,419,520
119,600 (June 30, 2007: 119,600) ordinary shares of Rs. 10 each issued in lieu of NWF Industries Limited and Sargodha Oil & Flour Mills Limited since merged		1,196,000	1,196,000
12,905,725 (June 30, 2007: 10,494,512) ordinary shares of Rs. 10 each issued as fully paid bonus shares		<u>129,057,248</u>	<u>104,945,120</u>
		<u>144,672,768</u>	<u>120,560,640</u>
4. Long term financing - secured			
Opening balance		92,500,000	-
Add: Disbursements during the period/ year		<u>127,450,000</u>	<u>92,500,000</u>
		219,950,000	92,500,000
Less: Repayments during the period/ year		-	-
		<u>219,950,000</u>	<u>92,500,000</u>
Less: Current portion shown under current liabilities		<u>(54,987,500)</u>	<u>(17,312,500)</u>
		<u>164,962,500</u>	<u>75,187,500</u>
4.1	The company has entered into a pay fix, receive-variable Interest Rate Swap agreement with a bank to hedge the interest rate exposure on the above mentioned long term financing at notional amount of Rs. 275 million. As per the terms of the agreement the company will pay fix interest rate @ 12.8 % p.a. to the bank and will receive 3 month PKR KIBOR. Effective period of swap starts from July 25, 2007 and ends on July 25, 2011. This swap arrangement does not qualify for hedge accounting under the requirements of International Accounting Standard - 39 " Financial Instruments: Recognition and Measurement" . Accordingly, this has been measured at its fair value as at the balance sheet date with resultant loss of Rs. 12.73 million has been recognized in the profit and loss account.		
5. Property, Plant and Equipment			
Opening net book value		539,455,959	486,662,333
Add:			
Additions during the period/ year	5.1	40,668,849	95,587,290
Less:			
Written down value of disposals during the period/ year		<u>(312,000)</u>	<u>(688,132)</u>
Depreciation for the period/ year		<u>(19,518,680)</u>	<u>(42,105,532)</u>
		<u>(19,830,680)</u>	<u>(42,793,664)</u>
		<u>560,294,128</u>	<u>539,455,959</u>

NOTE	DECEMBER 31, 2007 (UN-AUDITED) (RUPEES)	JUNE 30, 2007 (AUDITED) (RUPEES)
5.1 Additions during the period/ year represents:		
Freehold land	1,000,000	37,775,000
Building on freehold land	-	2,116,705
Plant and machinery	768,790	9,207,058
Furniture and fixtures	872,185	1,916,963
Computers	650,082	1,297,222
Vehicles-owned	3,081,492	9,574,000
Vehicles-leased	2,965,800	-
Capital work in progress	31,330,500	33,700,342
	<u>40,668,849</u>	<u>95,587,290</u>
6. Long term investments		
Investment in Farmacia - 98% owned subsidiary partnership firm	6.1 44,281,032	37,573,914
Investment in BF Biosciences Limited - 80% owned subsidiary	6.2 111,999,960	111,999,960
Available for sale-unquoted shares	33,085	33,085
	<u>156,314,077</u>	<u>149,606,959</u>
6.1 Investment in Farmacia		
Opening balance	37,573,914	26,285,542
Share in profit for the period/ year	6,707,118	11,288,372
	<u>44,281,032</u>	<u>37,573,914</u>

This represent company's 98% share in "Farmacia", a subsidiary partnership duly registered under the Partnership Act, 1932 and engaged in operating retail business. Share of profit for the period not withdrawn is treated as reinvestment in capital account of partnership.

6.2 Investment in BF Biosciences Limited

This represents investment made in 11,199,996 ordinary shares of Rs. 10 each, in BF Biosciences Limited. BF Biosciences Limited was set up for establishing a Biotech Production Plant to manufacture mainly Cancer and Hepatitis related medicines. The Company holds 80% of equity of the subsidiary and the remaining 20% is held by Laboratories Bagó S.A., Argentina. BF Biosciences Limited has not yet started its commercial operations.

	NOTE	DECEMBER 31, 2007 (UN-AUDITED) (RUPEES)	JUNE 30, 2007 (AUDITED) (RUPEES)
7 SHORT TERM INVESTMENTS			
Investment at fair value through profit or loss - listed securities	7.1	52,528,332	-
Held to maturity investment	7.2	100,277,619	186,969,198
		<u>152,805,951</u>	<u>186,969,198</u>

7.1 Investments at fair value through profit or loss - listed securities

Number of shares/Units		Name of Companies	December 31, 2007 (Rupees)		June 30, 2007 (Rupees)		
			Cost	Fair value	Cost	Fair value	
December 2007	June 2007						
25,000	—	Pakistan National Shipping Corporation Ordinary shares of Rs. 10 each	2,530,057	2,499,750	—	—	—
952,744	—	Arif Habib Investments Ltd. Units of Rs. 50 each	50,000,000	50,028,582	—	—	—
		Unrealised gain / (loss) on account of rereasurement to fair value	52,530,057	52,528,332	—	—	—
			(1,725)	—	—	—	—
			<u>52,528,332</u>	<u>52,528,332</u>	<u>—</u>	<u>—</u>	<u>—</u>

7.2 Held to maturity investment

This represents investment in term deposit receipts of Pakistan Industrial Credit and Investment Corporation Limited having maturity of one month which carries interest at the rate of 9.5% per annum (June 30, 2007 10.5% per annum).

	NOTE	3 Months Ended December 31, 2007 (UN-AUDITED) (RUPEES)	3 Months Ended December 31, 2006 (UN-AUDITED) (RUPEES)	6 Months Ended December 31, 2007 (UN-AUDITED) (RUPEES)	6 Months Ended December 31, 2006 (UN-AUDITED) (RUPEES)
		8. Cost of sales			
Materials consumed	8.1	76,444,495	75,574,879	164,660,114	136,649,581
Manufacturing expenses		23,680,029	23,811,668	46,395,028	43,026,116
Add: opening work in process		5,771,073	3,794,553	2,897,691	3,059,331
		<u>105,895,597</u>	<u>103,181,100</u>	<u>213,952,833</u>	<u>182,735,028</u>
Less: closing work in process		(7,364,468)	(4,572,784)	(7,364,468)	(4,572,784)
		<u>98,531,129</u>	<u>98,608,316</u>	<u>206,588,365</u>	<u>178,162,244</u>
Add: opening finished goods		52,612,106	63,597,455	48,256,053	81,253,393
		<u>151,143,235</u>	<u>162,205,771</u>	<u>254,844,418</u>	<u>259,415,637</u>
Less: closing finished goods		(57,055,260)	(57,059,616)	(57,055,260)	(57,059,616)
		<u>94,087,975</u>	<u>105,146,155</u>	<u>197,789,158</u>	<u>202,356,021</u>

	3 Months Ended December 31, 2007 (UN-AUDITED) (RUPEES)	3 Months Ended December 31, 2006 (UN-AUDITED) (RUPEES)	6 Months Ended December 31, 2007 (UN-AUDITED) (RUPEES)	6 Months Ended December 31, 2006 (UN-AUDITED) (RUPEES)
8.1 Materials consumed				
Opening stock	63,880,358	56,573,435	68,389,436	54,279,980
Add: purchases during the period	82,331,100	79,811,935	166,037,641	143,180,092
	<u>146,211,458</u>	<u>136,385,370</u>	<u>234,427,077</u>	<u>197,460,072</u>
Less: closing stock	(69,766,963)	(60,810,491)	(69,766,963)	(60,810,491)
	<u>76,444,495</u>	<u>75,574,879</u>	<u>164,660,114</u>	<u>136,649,581</u>

9. Transactions with related parties

Related parties include associated companies, contributory provident fund, major shareholders, directors and key management personnel. Transactions with related parties during the period are as follows:

	6 Months Ended December 31, 2007 (UN-AUDITED) (Rupees)	6 Months Ended December 31, 2006 (AUDITED) (Rupees)
Farmacia-98% owned subsidiary firm		
Sale of medicines	20,422,590	17,086,409
Share of profit	6,707,118	6,161,746
BF Biosciences Limited-80% owned subsidiary		
Long term loan	127,450,000	-
Financial charges on long term loan accrued	16,654,269	-
Other related parties		
Contribution to employees provident fund	2,011,270	1,889,372
Remuneration of directors and key management personnel	22,363,296	15,124,797
	DECEMBER 31, 2007 (UN-AUDITED) (RUPEES)	JUNE 30, 2007 (AUDITED) (RUPEES)

10. Contingencies and commitments

10.1 Contingencies:

Guarantees issued by banks on behalf of the company	455,640	455,640
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10.2 Commitments:

Capital Expenditure	50,824,695	20,143,609
Letter of credits other than for capital expenditure	33,992,644	37,368,047

11. GENERAL

Figures have been rounded off to the nearest rupee.
Corresponding figures have been rearranged and / or reclassified, wherever necessary, for the purpose of comparison.

12. DATE OF AUTHORIZATION

These financial statements were authorized for issue by the board of directors of the Company in their meeting held on **January 31, 2008**.

Rawalpindi
January 31, 2008

Chairperson and Chief Executive

Director



***Condensed Interim
Consolidated Financial
Information for the
Quarter/Six Months
Ended December 31, 2007***



FEROZSONS
LABORATORIES LIMITED

CONDENSED INTERIM CONSOLIDATED BALANCE

	NOTE	DECEMBER 31, 2007 UN-AUDITED (RUPEES)	JUNE 30, 2007 AUDITED (RUPEES)
SHARE CAPITAL AND RESERVES			
Share capital	3	144,672,768	120,560,640
Reserves			
Capital reserve		321,843	321,843
Revenue reserve - unappropriated profit		566,414,524	560,993,936
		711,409,135	681,876,419
MINORITY INTEREST		28,665,806	28,584,807
SURPLUS ON REVALUATION OF FIXED ASSETS-net of tax			
		254,497,849	256,984,285
NON CURRENT LIABILITIES			
Long term financing - secured	4	164,962,500	75,187,500
Liabilities against assets subject to finance lease		1,996,534	1,024,253
Interest rate swap	4.1	6,604,172	-
Deferred liability for taxation		49,697,447	48,302,487
		223,260,653	124,514,240
CURRENT LIABILITIES			
Trade and other payables		142,977,669	157,342,421
Accrued markup of long term financing		3,925,860	1,610,432
Current portion of long term financing		54,987,500	17,312,500
Current maturity of liabilities against assets subject to finance lease		2,826,027	4,310,822
Current portion of interest rate swap		6,124,237	-
Provision for taxation - net		5,564,721	-
		216,406,014	180,576,175
		1,434,239,457	1,272,535,926
CONTINGENCIES AND COMMITMENTS	9	-	-

The annexed notes 1 to 11 form an integral part of this condensed interim consolidated financial information.

SHEET AS AT DECEMBER 31, 2007

	NOTE	DECEMBER 31, 2007 UN-AUDITED (RUPEES)	JUNE 30, 2007 AUDITED (RUPEES)
FIXED ASSETS			
Property, plant and equipment	5	913,171,757	760,677,123
LONG TERM INVESTMENTS		33,085	33,085
LONG TERM DEPOSITS		856,417	600,447
CURRENT ASSETS			
Stores, spares and loose tools		3,460,603	4,280,632
Stock in trade		153,016,013	140,372,407
Trade debts - considered good		43,778,289	49,000,779
Loans and advances - considered good		54,595,954	60,663,117
Deposits and prepayments		3,770,965	3,133,233
Other receivables		4,844,815	3,277,090
Advance income tax - net		-	3,031,625
Short term investments	6	163,646,951	196,969,198
Cash and bank balances		93,064,608	50,497,190
		520,178,198	511,225,271
		1,434,239,457	1,272,535,926

**CONDENSED INTERIM CONSOLIDATED
 PROFIT AND LOSS ACCOUNT (UN-AUDITED)
 FOR THE SIX MONTHS ENDED DECEMBER 31, 2007**

NOTE	3 Months Ended December 31, 2007 (RUPEES)	3 Months Ended December 31, 2006 (RUPEES)	6 Months Ended December 31, 2007 (RUPEES)	6 Months Ended December 31, 2006 (RUPEES)
Net sales	234,351,628	263,505,086	502,369,843	503,748,601
Cost of sales	(109,527,670)	(123,274,565)	(233,763,747)	(239,981,227)
Gross profit	124,823,958	140,230,521	268,606,096	263,767,374
Other income	12,413,813	5,146,472	16,103,879	9,876,309
Administrative expenses	(16,084,134)	(11,337,586)	(30,089,845)	(23,219,290)
Selling and distribution cost	(46,352,674)	(54,557,629)	(100,514,979)	(106,426,488)
Finance cost	(262,742)	(332,900)	(440,891)	(862,540)
Other expenses	(3,540,389)	(5,287,724)	(8,489,339)	(6,674,645)
Profit before taxation	70,997,832	73,861,154	145,174,922	136,460,720
Provision for taxation	(20,228,674)	(18,986,888)	(39,683,227)	(32,548,943)
Profit after taxation	50,769,158	54,874,266	105,491,695	103,911,777
Attributable to:				
Shareholders of the parent company	50,748,720	54,803,572	105,410,696	103,786,522
Minority interest	20,438	70,694	80,999	125,255
	50,769,158	54,874,266	105,491,695	103,911,777

The annexed notes 1 to 11 form an integral part of this condensed interim consolidated financial information.

**CONDENSED INTERIM CONSOLIDATED
 CASH FLOW STATEMENT (UN-AUDITED)
 FOR THE SIX MONTHS ENDED DECEMBER 31, 2007**

	Six Months Ended DECEMBER 31, 2007	Six Months Ended December 31, 2006
Cash flow from operating activities		
Profit before taxation	145,174,922	136,460,720
Adjustments for:		
Depreciation	19,733,909	18,667,828
Gain on disposal of property, plant and equipment	(339,375)	(1,228,900)
Finance cost	440,891	862,540
Dividends, capital gains and income from investments and deposits	(15,764,504)	(8,647,409)
(Gain)/loss on remeasurement of short term investments	1,725	(873,000)
	4,072,646	8,781,059
	149,247,568	145,241,779
Working capital changes		
Decrease/(increase) in stocks and stores	(11,823,577)	16,709,291
(Increase) in trade debtors	5,222,490	(16,190,480)
(Increase) in loans, advances, deposits, prepayments and other receivables	4,541,905	(15,710,671)
(Decrease)/Increase in trade and other payables	(23,866,722)	12,485,093
	(25,925,904)	(2,706,767)
Cash generated from operations	123,321,664	142,535,012
Finance cost paid	(2,053,048)	(862,540)
Taxes paid	(29,691,921)	(39,447,895)
	(31,744,969)	(40,310,435)
Net cash from operating activities	91,576,695	102,224,577
Cash flows from investing activities		
Long term deposits	-	11,000
Purchase of property, plant and equipment	(155,886,274)	(81,457,689)
Short term investments	33,322,247	(51,055,250)
Dividends, capital gains and income from investments and deposits	14,828,335	8,647,409
Sale proceeds of property, plant and equipment	651,375	1,714,500
Net cash used in investing activities	(107,084,317)	(122,140,030)
Cash flows from financing activities		
Payment of finance lease liabilities	(512,514)	(5,350,769)
Proceeds from long term financing	127,450,000	-
Dividend paid	(68,862,446)	(38,657,004)
Net cash from/(used in) financing activities	58,075,040	(44,007,773)
Net increase/(decrease) in cash and cash equivalents during the year	42,567,418	(63,923,226)
Cash and cash equivalents at beginning of the year	50,497,190	124,247,915
Cash and cash equivalents at end of the year	93,064,608	60,324,689

The annexed notes 1 to 11 form an integral part of this condensed interim consolidated financial information.

**CONDENSED INTERIM CONSOLIDATED
 STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
 FOR THE SIX MONTHS ENDED DECEMBER 31, 2007**

	Share capital (Rupees)	Capital reserve (Rupees)	Revenue reserve Unappropriated profit (Rupees)	Total (Rupees)	Minority Interest (Rupees)	Total Equity (Rupees)
Balance as at June 30, 2006	100,467,200	321,843	415,926,970	516,716,013	28,444,580	545,160,593
Final dividend for the year ended June 30 2006 Rs. 4.00 per share	—	—	(40,186,880)	(40,186,880)	—	(40,186,880)
Bonus shares issued at 20% for the year ended June 30, 2006	20,093,440	—	(20,093,440)	—	—	—
Transfer from surplus on revaluation of fixed assets - net of tax	—	—	2,726,857	2,726,857	—	2,726,857
Net income recognized directly in equity	—	—	2,726,857	2,726,857	—	2,726,857
Net profit for the period	—	—	103,786,522	103,786,522	125,255	103,911,777
Total recognized income for the period	—	—	106,513,379	106,513,379	125,255	106,638,634
Balance as at December 31, 2006	120,560,640	321,843	462,160,029	583,042,512	28,569,835	611,612,347
Balance as at June 30, 2007	120,560,640	321,843	560,993,936	681,876,419	28,584,807	710,461,226
Final dividend for the year ended June 30, 2007 Rs. 6.50 per share	—	—	(78,364,416)	(78,364,416)	—	(78,364,416)
Bonus shares issued at 20% for the year ended June 30, 2007	24,112,128	—	(24,112,128)	—	—	—
Transfer from surplus on revaluation of fixed assets - net of tax	—	—	2,486,436	2,486,436	—	2,486,436
Net income recognized directly in equity	—	—	2,486,436	2,486,436	—	2,486,436
Net profit for the period	—	—	105,410,696	105,410,696	80,999	105,491,695
Total recognized income for the period	—	—	107,897,132	107,897,132	80,999	107,978,131
Balance as at December 31, 2007	144,672,768	321,843	566,414,524	711,409,135	28,665,806	740,074,941

The annexed notes 1 to 11 form an integral part of this condensed interim consolidated financial information.

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED
FINANCIAL INFORMATION (UN-AUDITED)
FOR THE SIX MONTHS ENDED DECEMBER 31, 2007**

1. Status and operations

Ferozsons Laboratories Limited was incorporated as a private limited company on January 28, 1954 and was converted into a public limited company on September 08, 1960. The company is listed on the Karachi, Lahore and Islamabad stock exchanges. The company is primarily engaged in the manufacture and sale of pharmaceuticals products and its registered office is situated at 197-A, The Mall, Rawalpindi. The company is domiciled in Rawalpindi, Pakistan.

The parent company has 98% holding in Farmacia, which is a partnership duly registered under the Partnership Act, 1932. Farmacia is engaged in the retail of pharmaceutical products.

BF Biosciences Limited is an 80% owned subsidiary of the parent company and was incorporated as an unquoted public limited company under the Companies Ordinance, 1984 on February 24, 2006. BF Biosciences Limited has been set up for establishing a biotech production plant to manufacture Cancer and Hepatitis related medicines.

2. Basis of preparation

- 2.1 This condensed interim consolidated financial information has been prepared in accordance with the requirements of the International Accounting Standard 34 "Interim Financial Reporting" as applicable in Pakistan.
- 2.2 This condensed interim consolidated financial information is un-audited and is being submitted to shareholders as required by Section 245 of the Companies Ordinance, 1984.
- 2.3 This condensed interim consolidated financial information should be read in conjunction with annual audited financial statements for the year ended 30 June 2007. Comparative balance sheet is extracted from annual audited financial statements for the year ended 30 June 2007 whereas comparative profit and loss account, statement of changes in equity, and cash flow statement are stated from unaudited condensed consolidated interim financial information for the six months ended 31 December 2006.
- 2.3 Accounting policies, related judgments, estimates and assumptions adopted for preparation of these financial statements are the same as those applied in preparation of the annual financial statements for the year ended June 30, 2007 except for the following inclusion of accounting policy:

Derivative financial instruments

The Company holds derivative financial instrument as cash flow hedge to hedge its interest rate risk exposure. Derivatives are recognized initially at fair value; attributable transaction costs are recognized in profit or loss when incurred. Subsequent to initial recognition, derivatives are measured at fair value and changes in fair value are recognized directly in equity to the extent that the hedge is effective. To the extent that the hedge is ineffective, changes in fair value are recognized in profit or loss. If the hedging instrument no longer meets the criteria of hedge accounting, expires or is sold, terminated or exercised, then the hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognized in equity remains there until the forecast transaction occurs.

	DECEMBER 31, 2007 (UN-AUDITED) (RUPEES)	JUNE 30, 2007 (AUDITED) (RUPEES)
3. SHARE CAPITAL		
Authorized share capital		
25,000,000 (June 30, 2007: 15,000,000) ordinary shares of Rs. 10 each	250,000,000	150,000,000
Issued, subscribed and paid up capital		
1,441,952 (June 30, 2007: 1,441,952) ordinary shares of Rs. 10 each fully paid in cash	14,419,520	14,419,520
119,600 (June 30, 2007: 119,600) ordinary shares of Rs. 10 each issued in lieu of NWF Industries Limited and Sargodha Oil & Flour Mills Limited since merged	1,196,000	1,196,000
12,905,725 (June 30, 2007: 10,494,512) ordinary shares of Rs. 10 each issued as fully paid bonus shares	129,057,248	104,945,120
	144,672,768	120,560,640
4. Long term financing - secured		
Opening balance	92,500,000	-
Add: Disbursements during the period/ year	127,450,000	92,500,000
	219,950,000	92,500,000
Less: Repayments during the period/ year	-	-
	219,950,000	92,500,000
Less: Current portion shown under current liabilities	(54,987,500)	(17,312,500)
	164,962,500	75,187,500
4.1	<p>The company has entered into a pay fix, receive-variable Interest Rate Swap agreement with a bank to hedge the interest rate exposure on the above mentioned long term financing at notional amount of Rs. 275 million. As per the terms of the agreement the company will pay fix interest rate @ 12.8 % p.a. to the bank and will receive 3 month PKR KIBOR. Effective period of swap starts from July 25, 2007 and ends on July 25, 2011. This swap arrangement does not qualify for hedge accounting under the requirements of International Accounting Standard - 39 " Financial Instruments: Recognition and Measurement" . Accordingly, this has been measured at its fair value as at the balance sheet date with resultant loss of Rs. 12.73 million has been recognized in the profit and loss account.</p>	
5. Property, Plant and Equipment		
Opening net book value	760,677,123	495,460,990
Add:		
Additions during the period / year	172,540,542	308,548,788
Less:		
Written down value of disposals during the period / year	(312,000)	(688,132)
Depreciation for the period / year	(19,733,909)	(42,644,523)
	(20,045,909)	(43,332,655)
	913,171,757	760,677,123

	DECEMBER 31, 2007 (UN-AUDITED) (RUPEES)	JUNE 30, 2007 (AUDITED) (RUPEES)
5.1 Additions during the period/ year represents:		
Freehold land	1,000,000	37,775,000
Building on freehold land	-	2,192,766
Plant and machinery	768,790	9,207,058
Furniture and fixtures	1,085,984	2,022,959
Computers	650,082	1,297,222
Vehicles-owned	3,081,492	9,574,000
Vehicles-leased	2,965,800	-
Capital work in progress	162,988,394	246,479,783
	172,540,542	308,548,788
6 SHORT TERM INVESTMENTS		
Investment at fair value through profit or loss - listed securities	6.1 63,369,332	-
Held to maturity investment	6.2 100,277,619	196,969,198
	163,646,951	196,969,198

6.1 Investments at fair value through profit or loss - listed securities

<u>Number of shares/Units</u>		<u>Name of Companies</u>	<u>December 31, 2007 (Rupees)</u>		<u>June 30, 2007 (Rupees)</u>	
<u>December 2007</u>	<u>June 2007</u>		<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair value</u>
		Pakistan National Shipping Corporation				
25,000	—	Ordinary shares of Rs. 10 each	2,530,057	2,499,750	—	—
		Arif Habib Investments Ltd.				
952,744	—	Units of Rs. 50 each	60,841,000	60,869,582	—	—
		Unrealised Gain / (loss) on account of remeasurement to fair value	63,371,057	63,369,332	—	—
			(1,725)	—	—	—
			63,369,332	63,369,332	—	—

6.2 Held to maturity investment

This represents investment in term deposit receipts of Pakistan Industrial Credit and Investment Corporation Limited having maturity of one month which carries interest at the rate of 9.5% per annum (June 30, 2007 10.5% per annum).

		3 Months Ended December 31, 2007 (UN-AUDITED)	3 Months Ended December 31, 2006 (UN-AUDITED)	6 Months Ended December 31, 2007 (UN-AUDITED)	6 Months Ended December 31, 2006 (UN-AUDITED)
	NOTE	(RUPEES)	(RUPEES)	(RUPEES)	(RUPEES)
7. Cost of sales					
Material consumed	7.1	91,884,190	93,703,289	200,634,703	174,274,787
Manufacturing expenses		23,680,029	23,811,668	46,395,028	43,026,116
Opening Work in process		5,771,073	3,794,553	2,897,691	3,059,331
		<u>121,335,292</u>	<u>121,309,510</u>	<u>249,927,422</u>	<u>220,360,234</u>
Less: closing work in process		<u>(7,364,468)</u>	<u>(4,572,784)</u>	<u>(7,364,468)</u>	<u>(4,572,784)</u>
Cost of goods manufactured		113,970,824	116,736,726	242,562,954	215,787,450
Add: opening finished goods		52,612,106	63,597,455	48,256,053	81,253,393
		<u>166,582,930</u>	<u>180,334,181</u>	<u>290,819,007</u>	<u>297,040,843</u>
Less: closing finished goods		<u>(57,055,260)</u>	<u>(57,059,616)</u>	<u>(57,055,260)</u>	<u>(57,059,616)</u>
Cost of sales		<u><u>109,527,670</u></u>	<u><u>123,274,565</u></u>	<u><u>233,763,747</u></u>	<u><u>239,981,227</u></u>
7.1 Material consumed					
Opening stock		71,772,794	63,110,735	74,945,653	58,716,205
Add: purchases during the period		100,474,325	98,591,729	206,051,979	183,557,757
		<u>172,247,119</u>	<u>161,702,464</u>	<u>280,997,632</u>	<u>242,273,962</u>
Less: closing stock		<u>(80,362,929)</u>	<u>(67,999,175)</u>	<u>(80,362,929)</u>	<u>(67,999,175)</u>
		<u><u>91,884,190</u></u>	<u><u>93,703,289</u></u>	<u><u>200,634,703</u></u>	<u><u>174,274,787</u></u>

8. Transactions with related parties

The related parties include associated companies, Contributory provident fund, major shareholders, directors and key management personnel. Transactions with related parties during the period are as follows:

	Six months ended December 31 2007 Rupees	Six months ended December 31 2006 Rupees
Other related parties		
Contribution to employee provident fund	2,011,270	1,889,372
Remuneration of directors and key management personnel	22,363,296	15,124,797

**DECEMBER 31,
2007
UN-AUDITED
(RUPEES)**

**JUNE 30,
2007
AUDITED
(RUPEES)**

9. Contingencies and commitments

Contingencies:

i	Guarantees issued by banks on behalf of the company	455,640	455,640
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Commitments:

ii	Capital Expenditure	104,573,676	134,680,528
iii	Letter of credits other than for capital expenditure	33,992,644	33,271,273

10. GENERAL

Figures have been rounded off to the nearest rupee. Corresponding figures have been rearranged and / or reclassified, wherever necessary, for the purpose of comparison.

11. DATE OF AUTHORIZATION

These financial statements were authorized for issue by the board of directors of the company in their meeting held on **January 31, 2008**.

Rawalpindi
January 31, 2008

Chairperson and Chief Executive

Director

PEOPLE
TRUST
US

MORE THAN FIVE DECADES
OF DEDICATED SERVICE
TO HUMANITY IN PAKISTAN
AND AROUND THE WORLD
IN PHARMACEUTICALS



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