



***Financial Statements
for the Quarter Ended
September 30, 2007***



FEROZSONS
LABORATORIES LIMITED

DIRECTORS' REVIEW OF FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED SEPTEMBER 30, 2007

We are pleased to present your company's individual and consolidated unaudited financial statements for the First Quarter ended September 30, 2007. The consolidated financial statements incorporate the Company's 98% owned Farmacia retail venture as well as its subsidiary BF Biosciences Limited, which is now expected to become operational early next calendar year, Insha'Allah.

Net Sales of your Company's pharmaceutical operations registered an increase of 12% for the Quarter (Q1) under review, from Rs. 215.815 Million in Q1 of last year to Rs. 241.410 Million during the Quarter under review. Similarly, Consolidated Net Sales of your company including the Farmacia Venture stood at Rs.268.018 Million for the quarter under review, a growth of 11.56% over Rs. 240.244 Million achieved in the corresponding quarter of last year.

In comparison, the cost of sales only increased by 7% as compared to the cost of sales of the same quarter of last year thus resulting in an improved Gross Profit Ratio of 57%, compared to 55% of the same quarter of last year. In absolute terms the Gross Profit (GP) of the Company stood at Rs. 137.709 Million, an increase of 16% over the GP of Rs. 118.606 Million achieved during the corresponding quarter of last year. The GP margins of consolidated results also showed the same growth levels compared to same quarter of last year.

The Company's Profit from Operations showed an increase of 20%. However, after adjusting for Other Income of Rs. 6.614 Million and share of profit in Farmacia of Rs. 3.104 Million, Profit Before Tax of your company, net of Workers' Profit Participation, Workers' Welfare and Central Research Funds stood at Rs. 73.087 Million for the Quarter under review, an absolute increase of 18% over the figure of Rs. 62.006 Million achieved during same Quarter of last year.

Net Profit after Tax (NPAT) of your Company stood at Rs. 54.673 Million for the Quarter, an increase of 12% over the NPAT of Rs. 48.996 Million achieved during the same Quarter of last year.

Based on the net profit for the quarter ended September 30, 2007 the Earnings per Share (EPS) both basic and diluted stand at Rs. 3.78 per share, compared to an EPS of Rs. 3.39 on the expanded capital of Rs. 144.673 Million after the issuance of bonus shares during the quarter.

Future Scenario

Your Company's Sales continue to exhibit a healthy trend. While there has been some slowdown in Biotech Sales as a result of a delay in purchasing by some major institutions, our existing Pharma sales portfolio has done well, and we have also had a successful launch in the cardiology segment with the introduction of Nicoril, which is the first potassium channel activator to be introduced to the Pakistan market. Nicoril is an important addition to the Cardiologist's arsenal against heart disease, and we are confident that it will become a substantial contributor to the Company's future income and earnings.

There have been a few unforeseen delays in the completion of your company's subsidiary BF Biosciences Limited – these are related to the delay in shipment of some of the project's machinery. However, we are confident that the project will be complete by the beginning of the next calendar year.

For and on Behalf of the Board of Directors

October 26, 2007

**(Mrs. Akhter Khalid Waheed)
Chairperson & Chief Executive**

BALANCE SHEET

	NOTE	SEPTEMBER 30, 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		515,161,932	561,722,124
		660,156,543	682,604,607
SURPLUS ON REVALUATION OF FIXED ASSETS-net of tax			
		255,741,067	256,984,285
NON CURRENT LIABILITIES			
Long term financing - secured		117,625,000	75,187,500
Liabilities against assets subject to finance lease		2,667,252	1,024,253
Deferred liability for taxation		50,022,111	48,302,487
		170,314,363	124,514,240
CURRENT LIABILITIES			
Trade and other payables		189,783,900	131,024,480
Accrued markup of long term financing		2,576,876	1,610,432
Current portion of long term financing		34,625,000	17,312,500
Current maturity of liabilities against assets subject to finance lease		3,121,683	4,310,822
		230,107,459	154,258,234
		1,316,319,432	1,218,361,366
CONTINGENCIES AND COMMITMENTS			
	9	-	-

The annexed notes 1 to 11 form an integral part of these financial statements.

AS AT SEPTEMBER 30, 2007

	NOTE	SEPTEMBER 30, 2007 UN-AUDITED (RUPEES)	JUNE 30, 2007 AUDITED (RUPEES)
FIXED ASSETS			
Property, plant and equipment	4	544,698,510	539,455,959
LONG TERM INVESTMENTS			
	5	152,711,083	149,606,959
LONG TERM LOAN			
		117,625,000	75,187,500
LONG TERM DEPOSITS			
		776,417	600,447
CURRENT ASSETS			
Stores, spares and loose tools		3,695,373	4,280,632
Stock in trade		125,209,840	133,816,190
Trade debts - considered good		43,597,116	31,937,773
Current portion of long term loan		34,625,000	17,312,500
Loans and advances - considered good		22,889,525	14,546,615
Deposits and prepayments		5,119,769	3,015,174
Interest accrued		5,859,444	2,485,196
Other receivables		15,883,661	14,103,388
Advance income tax - net		44,526	3,362,895
Short term investments	6	202,585,963	186,969,198
Cash and bank balances		40,998,205	41,680,940
		500,508,422	453,510,501
		1,316,319,432	1,218,361,366

**PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2007**

	NOTE	Quarter Ended SEPTEMBER 30, 2007 (RUPEES)	Quarter Ended September 30, 2006 (RUPEES)
Net sales		241,409,807	215,815,407
Cost of sales	7	(103,701,183)	(97,209,866)
Gross profit		137,708,624	118,605,541
Other income		6,614,126	6,227,112
Administrative expenses		(13,598,783)	(11,147,096)
Selling and distribution cost		(52,239,535)	(49,942,602)
Finance cost		(3,552,483)	(508,245)
Other expenses		(4,948,949)	(4,062,184)
Share in profit of Farmacia - 98% owned partnership firm		3,104,124	2,833,663
Profit before taxation		73,087,124	62,006,189
Provision for taxation		(18,413,989)	(13,010,163)
Profit after taxation		54,673,135	48,996,026
Earnings per share - basic and diluted		3.78	3.39

The annexed notes 1 to 11 form an integral part of these financial statements.

**CASH FLOW STATEMENT (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2007**

	Quarter Ended SEPTEMBER 30, 2007 (RUPEES)	Quarter Ended September 30, 2006 (RUPEES)
Cash flow from operating activities		
Profit before taxation	73,087,124	62,006,189
Adjustments for:		
Depreciation	9,629,057	8,978,546
Gain on disposal of property, plant and equipment	(339,375)	(1,049,400)
Finance cost	3,552,483	508,245
Dividends, capital gains and income from investments and deposits	(5,836,755)	(3,220,712)
Share in profit of Farmacia-98% owned subsidiary firm	(3,104,124)	(2,833,663)
Gain on remeasurement of short term investments	(437,996)	(1,957,000)
	<u>3,463,290</u>	<u>426,016</u>
	76,550,414	62,432,205
Working capital changes		
Decrease/(increase) in stocks and stores	9,191,609	16,511,510
(Increase) in trade debtors	(11,659,343)	(9,036,177)
(Increase) in loans, advances, deposits, prepayments and other receivables	(13,553,509)	(5,123,873)
(Decrease)/Increase in trade and other payables	(19,574,738)	7,890,101
	<u>(35,595,981)</u>	<u>10,241,561</u>
Cash generated from operations	40,954,433	72,673,766
Finance cost paid	(2,586,039)	(508,245)
Taxes paid	(13,375,996)	(11,384,200)
	<u>(15,962,035)</u>	<u>(11,892,445)</u>
<i>Net cash from operating activities</i>	24,992,398	60,781,321
Cash flows from investing activities		
Long term investments	-	(2,833,663)
Long term loan	(59,750,000)	-
Purchase of property, plant and equipment	(15,183,608)	(6,216,508)
Short term investments	(15,178,769)	7,414,750
Dividends, capital gains and income from investments and deposits	3,612,268	3,220,712
Sale proceeds of property, plant and equipment	651,375	1,535,000
<i>Net cash (used in)/from investing activities</i>	<u>(85,848,734)</u>	<u>3,120,291</u>
Cash flows from financing activities		
Payment of finance lease liabilities	453,860	(2,657,653)
Proceeds from long term financing	59,750,000	-
Dividend paid	(30,259)	(46,089)
<i>Net cash from/(used in) financing activities</i>	<u>60,173,601</u>	<u>(2,703,742)</u>
Net increase/(decrease) in cash and cash equivalents during the period	(682,735)	61,197,870
Cash and cash equivalents at beginning of the period	41,680,940	12,301,864
Cash and cash equivalents at end of the period	<u>40,998,205</u>	<u>73,499,734</u>

The annexed notes 1 to 11 form an integral part of these financial statements.

**STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2007**

	Share capital	Capital reserve	Revenue reserve unappropriated Profit	Total
	(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	—	—	1,264,604	1,264,604
Net income recognized directly in equity	—	—	1,264,604	1,264,604
Net profit for the period	—	—	48,996,026	48,996,026
Total recognized income for the period	—	—	50,260,630	50,260,630
Balance as at September 30, 2006	<u>120,560,640</u>	<u>321,843</u>	<u>406,274,880</u>	<u>527,157,363</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	—	—	1,243,218	1,243,218
Net income recognized directly in equity	—	—	1,243,218	1,243,218
Net profit for the period	—	—	54,673,135	54,673,135
Total recognized income for the period	—	—	55,916,352	55,916,352
Balance as at September 30, 2007	<u>144,672,768</u>	<u>321,843</u>	<u>515,161,932</u>	<u>660,156,543</u>

The annexed notes 1 to 11 form an integral part of these financial statements.

Rawalpindi
October 26, 2007

Chairperson and Chief Executive

Director

**NOTES TO THE FINANCIAL STATEMENTS
 FOR THE QUARTER ENDED SEPTEMBER 30, 2007
 (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 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 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 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.

	SEPTEMBER 30, 2007	JUNE 30, 2007
NOTE	(RUPEES)	(RUPEES)

3. SHARE CAPITAL

Authorized share capital	<u>150,000,000</u>	150,000,000
Issued, subscribed and paid up capital	<u>144,672,768</u>	<u>120,560,640</u>

4. Property, Plant and Equipment

Opening net book value	539,455,959	486,662,333
Add:		
Additions during the period	15,183,608	95,587,290
Less:		
Written down value of disposals	(312,000)	(688,132)
Depreciation	(9,629,057)	(42,105,532)
	(9,941,057)	(42,793,664)
	<u>544,698,510</u>	<u>539,455,959</u>

5. Long term investments

Investment in Farmacia - 98% owned subsidiary partnership firm	5.1	40,678,038	37,573,914
Investment in BF Biosciences Limited - 80% owned subsidiary	5.2	111,999,960	111,999,960
Available for sale-unquoted shares		33,085	33,085
		<u>152,711,083</u>	<u>149,606,959</u>

	SEPTEMBER 30, 2007 (RUPEES)	JUNE 30, 2007 (RUPEES)
5.1 Investment in Farmacia		
Opening balance	37,573,914	35,358,269
Share in profit for the quarter	3,104,124	2,215,645
	<u>40,678,038</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 shop. Share of profit for the period not withdrawn is treated as reinvestment in capital account of partnership.

5.2 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. The Company has not yet started its commercial operations.

	NOTE	SEPTEMBER 30, 2007 (RUPEES)	JUNE 30, 2007 (RUPEES)
6. SHORT TERM INVESTMENTS			
Investment at fair value through profit or loss - listed securities	6.1	13,487,500	—
Held to maturity investment	6.2	189,098,463	186,969,198
		<u>202,585,963</u>	<u>186,969,198</u>

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

Number of shares		Name of Companies	September 2007 (Rupees)		June 2007 (Rupees)	
September 2007	June 2007		Carrying value	Fair value	Carrying value	Fair value
50,000	—	Oil & Gas Development Company Ltd. Ordinary shares of Rs. 10 each	5,698,835	5,750,000	—	—
25,000	—	Pakistan Oilfields Limited Ordinary shares of Rs. 10 each	7,350,669	7,737,500	—	—
			<u>13,049,504</u>	<u>13,487,500</u>	<u>—</u>	<u>—</u>
		Unrealised Gain / (loss) on account of remeasurement to fair value	437,996	—	—	—
			<u>13,487,500</u>	<u>13,487,500</u>	<u>—</u>	<u>—</u>

6.2 Held to maturity investment

This represents investment in term deposit receipts having maturity of six months which carries interest rate ranging from 9.31% to 10.6% per annum.

7. Cost of sales

	NOTE	SEPTEMBER 30, 2007 (RUPEES)	SEPTEMBER 30, 2006 (RUPEES)
Material consumed	7.1	88,215,619	61,074,702
Manufacturing expenses		22,714,999	19,214,448
Opening Work in process		2,897,691	3,059,331
		<u>113,828,309</u>	<u>83,348,481</u>
Less: closing work in process		<u>(5,771,073)</u>	<u>(3,794,553)</u>
Cost of goods manufactured		108,057,236	79,553,928
Add: opening finished goods		48,256,053	81,253,393
		<u>156,313,289</u>	<u>160,807,321</u>
Less: closing finished goods		<u>(52,612,106)</u>	<u>(63,597,455)</u>
Cost of sales		<u>103,701,183</u>	<u>97,209,866</u>
7.1 Material consumed			
Opening stock		68,389,436	54,279,980
Add: purchases during the period		83,706,541	63,368,157
		<u>152,095,977</u>	<u>117,648,137</u>
Less: closing stock		<u>(63,880,358)</u>	<u>(56,573,435)</u>
		<u>88,215,619</u>	<u>61,074,702</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:

	SEPTEMBER 30, 2007 (RUPEES)	SEPTEMBER 30, 2006 (RUPEES)
Farmacia-98% owned subsidiary firm		
Sale of medicines	9,240,168	9,415,220
Share of profit	3,104,124	2,633,663
BF Biosciences Limited- 80% owned subsidiary		
Long term loan	42,437,500	—
Interest accrued	3,374,248	—
Amount of capital work in progress transferred by the parent company	2,804,779	404,640
Other related parties		
Contribution to Employee Provident Fund	991,220	932,051
Remuneration of directors and key management personnel	3,317,172	2,775,300

	SEPTEMBER 30, 2007 (RUPEES)	JUNE 30, 2007 (RUPEES)
9. Contingencies and commitments		
Contingencies:		
i Guarantees issued by banks on behalf of the company	455,640	455,640
Commitments:		
ii Capital Expenditure	20,143,609	32,511,978
iii Letter of credits other than for capital expenditure	37,368,047	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

The financial statements have been authorized for issue by the Board of Directors of the company on **October 26, 2007**.

Rawalpindi
 October 26, 2007

Chairperson and Chief Executive

Director



***Consolidated
Financial Statements
for the Quarter Ended
September 30, 2007***



FEROZSONS
LABORATORIES LIMITED

CONSOLIDATED BALANCE

	NOTE	SEPTEMBER 30 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		514,422,586	560,993,936
		<u>659,417,197</u>	<u>681,876,419</u>
MINORITY INTEREST		28,645,367	28,584,807
SURPLUS ON REVALUATION OF FIXED ASSETS-net of tax			
		255,741,067	256,984,285
NON CURRENT LIABILITIES			
Long term financing - secured		117,625,000	75,187,500
Liabilities against assets subject to finance lease		2,667,252	1,024,253
Deferred liability for taxation		50,022,111	48,302,487
		<u>170,314,363</u>	<u>124,514,240</u>
CURRENT LIABILITIES			
Trade and other payables		200,438,627	157,342,421
Accrued markup of long term financing		2,576,876	1,610,432
Current portion of long term financing		34,625,000	17,312,500
Current maturity of liabilities against assets subject to finance lease		3,121,683	4,310,822
		<u>240,762,186</u>	<u>180,576,176</u>
		<u><u>1,354,880,180</u></u>	<u><u>1,272,535,926</u></u>
CONTINGENCIES AND COMMITMENTS	8	—	—

The annexed notes 1 to 10 form an integral part of these financial statements.

SHEET AS AT SEPTEMBER 30, 2006

	NOTE	SEPTEMBER 30, 2007 UN-AUDITED (RUPEES)	JUNE 30, 2007 AUDITED (RUPEES)
FIXED ASSETS			
Property, plant and equipment	4	834,373,931	760,677,123
LONG TERM INVESTMENTS		33,085	33,085
LONG TERM DEPOSITS		776,417	600,447
CURRENT ASSETS			
Stores, spares and loose tools		3,695,373	4,280,632
Stock in trade		133,102,276	140,372,407
Trade debts - considered good		66,634,558	49,000,779
Loans and advances - considered good		49,852,206	60,663,117
Deposits and prepayments		5,583,837	3,133,233
Other receivables		1,675,255	3,277,090
Advance income tax - net		1,213,794	3,031,625
Short term investments	5	213,093,963	196,969,198
Cash and bank balances		44,845,485	50,497,190
		519,696,747	511,225,271
		1,354,880,180	1,272,535,926

**CONSOLIDATED PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2007**

	NOTE	Quarter Ended SEPTEMBER 30, 2007 (RUPEES)	Quarter Ended September 30, 2006 (RUPEES)
Net sales		268,018,215	240,243,515
Cost of sales	6	<u>(124,236,077)</u>	<u>(116,706,662)</u>
Gross profit		143,782,138	123,536,853
Other income		3,690,066	4,729,837
Administrative expenses		(14,005,711)	(11,163,441)
Selling and distribution cost		(54,162,305)	(51,868,859)
Finance cost		(178,149)	(529,640)
Other expenses		(4,948,949)	(4,062,184)
Profit before taxation		74,177,090	60,642,566
Provision for taxation		(19,454,553)	(13,562,055)
Profit after taxation		54,722,537	47,080,511
Attributable to:			
Shareholders of the parent company		54,661,976	48,982,950
Minority interest		60,560	54,561
		<u>54,722,537</u>	<u>49,037,511</u>

The annexed notes 1 to 10 form an integral part of these financial statements.

**CONSOLIDATED CASH FLOW STATEMENT (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2007**

	Quarter Ended SEPTEMBER 30, 2007 (RUPEES)	Quarter Ended September 30, 2006 (RUPEES)
Cash flow from operating activities		
Profit before taxation	74,177,090	62,599,566
Adjustments for:		
Depreciation	9,736,478	9,111,828
Gain on disposal of property, plant and equipment	(339,375)	(1,049,400)
Finance cost	178,149	529,640
Dividends, capital gains and income from investments and deposits	(2,462,507)	(3,680,437)
Gain on remeasurement of short term investments	(437,996)	(1,957,000)
	<u>6,674,749</u>	<u>2,954,631</u>
	80,851,838	65,554,197
Working capital changes		
Decrease in stocks and stores	7,855,390	14,410,435
(Increase) in trade debtors	(17,633,779)	(8,195,233)
Decrease/(Increase) in loans, advances, deposits, prepayments and other receivables	8,066,137	(7,599,793)
(Decrease)/Increase in trade and other payables	<u>(35,237,952)</u>	<u>6,941,853</u>
	<u>(36,950,204)</u>	<u>5,557,262</u>
Cash generated from operations	43,901,635	71,111,459
Finance cost paid	<u>(178,149)</u>	<u>(529,640)</u>
Taxes paid	<u>(15,917,098)</u>	<u>(13,749,660)</u>
	<u>(16,095,247)</u>	<u>(14,279,300)</u>
Net cash from operating activities	27,806,388	56,832,159
Cash flows from investing activities		
Purchase of property, plant and equipment	<u>(82,778,841)</u>	<u>(45,050,603)</u>
Short term investments	<u>(15,686,769)</u>	<u>7,414,750</u>
Dividends, capital gains and income from investments and deposits	4,182,542	3,680,437
Sale proceeds of property, plant and equipment	<u>651,375</u>	<u>1,535,000</u>
Net cash used in investing activities	<u>(93,631,693)</u>	<u>(32,420,416)</u>
Cash flows from financing activities		
Payment of finance lease liabilities	<u>453,860</u>	<u>(2,657,653)</u>
Proceeds from long term financing	<u>59,750,000</u>	-
Dividend paid	<u>(30,259)</u>	<u>(46,089)</u>
Net cash from/(used in) financing activities	<u>60,173,601</u>	<u>(2,703,742)</u>
Net increase/(decrease) in cash and cash equivalents during the period	<u>(5,651,705)</u>	<u>21,708,001</u>
Cash and cash equivalents at beginning of the period	<u>50,497,190</u>	<u>124,247,915</u>
Cash and cash equivalents at end of the period	<u>44,845,485</u>	<u>145,955,916</u>

The annexed notes from 1 to 10 form an integral part of these financial statements.

Rawalpindi

October 26, 2007

Chairperson and Chief Executive

Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UN-AUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2007

	Share capital (Rupees)	Capital reserve (Rupees)	Reserve reserve Unappropriated profit (Rupees)	Total (Rupees)	Minority Interest	Total (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 July 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	20,093,440	—	(20,093,440)	—	—	—
Transfer from surplus on revaluation of fixed assets - net	—	—	1,264,604	1,264,604	—	1,264,604
Net income recognized directly in equity	—	—	1,264,604	1,264,604	—	1,264,604
Net profit for the period	—	—	48,982,950	48,982,950	54,561	49,037,511
Total recognized income for the period	—	—	50,247,554	50,247,554	54,561	50,302,115
Balance as at September 30, 2006	<u>120,560,640</u>	<u>321,843</u>	<u>405,894,204</u>	<u>526,776,687</u>	<u>28,499,141</u>	<u>555,275,828</u>
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 Rs. 6.50 per share	—	—	(78,364,416)	(78,364,416)	—	(78,364,416)
Bonus shares issued at 20% for the year ended	24,112,128	-	(24,112,128)	—	—	—
Transfer from surplus on revaluation of fixed assets - net	—	—	1,243,218	1,243,218	—	1,243,218
Net income recognized directly in equity	—	—	1,243,218	1,243,218	—	1,243,218
Net profit for the period	—	—	54,661,976	54,661,976	60,560	54,722,537
Total recognized income for the period	—	—	55,905,194	55,905,194	60,560	55,965,755
Balance as at September 30, 2007	<u>144,672,768</u>	<u>321,843</u>	<u>514,422,586</u>	<u>659,417,197</u>	<u>28,645,367</u>	<u>688,062,565</u>

The annexed notes 1 to 10 form an integral part of these financial statements.

**CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS
 FOR THE QUARTER ENDED SEPTEMBER 30, 2007
 (UN-AUDITED)**

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 pharmaceutical 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 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 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. The consolidated financial statements include the financial statements of the holding company i.e, Ferozsons Laboratories Limited, its 98% owned partnership concern Farmacia which is a partnership duly registered under the Partnership Act, 1932 and 80% owned unquoted public limited company BF Biosciences Limited incorporated under Companies ordinance 1984.

	NOTE	SEPTEMBER 30, 2007 (RUPEES)	JUNE 30, 2007 (RUPEES)
3. SHARE CAPITAL			
Authorized share capital		<u>150,000,000</u>	<u>150,000,000</u>
Issued, subscribed and paid up capital		<u>144,672,768</u>	<u>120,560,640</u>
4. Property, Plant and Equipment			
Opening net book value		760,677,123	495,460,990
Add:			
Additions during the period		83,745,286	308,548,787
Less:			
Written down value of disposals		(312,000)	(688,131)
Depreciation		(9,736,478)	(42,644,523)
		<u>(10,048,478)</u>	<u>(43,332,654)</u>
		<u>834,373,931</u>	<u>760,677,123</u>
5. SHORT TERM INVESTMENTS			
Investment at fair value through profit or loss - listed securities	5.1	13,487,500	-
Held to maturity investment	5.2	199,606,463	196,969,198
		<u>213,093,963</u>	<u>196,969,198</u>

5.1 Investment at fair value through profit or loss - listed securities

Number of shares		Name of Companies	September 2007 (Rupees)		June 2007 (Rupees)	
September 2007	June 2007		Carrying value	Fair value	Carrying value	Fair value
50,000	—	Oil & Gas Development Company Ltd. Ordinary shares of Rs. 10 each	5,698,835	5,750,000	—	—
25,000	—	Pakistan Oilfields Limited Ordinary shares of Rs. 10 each	7,350,669	7,737,500	—	—
			13,049,504	13,487,500	—	—
		Unrealised Gain / (loss) on account of remeasurement to fair value	437,996	—	—	—
			<u>13,487,500</u>	<u>13,487,500</u>	<u>—</u>	<u>—</u>

5.2 Held to maturity investment

This represents investment in term deposit receipts having maturity of six months which carries interest rate ranging from 9.31% to 10.6% per annum.

6. Cost of sales

	NOTE	SEPTEMBER 30, 2007 (RUPEES)	SEPTEMBER 30, 2006 (RUPEES)
Material consumed	6.1	108,750,513	80,571,498
Manufacturing expenses		22,714,999	19,214,448
Opening work in process		2,897,691	3,059,331
		<u>134,363,203</u>	<u>102,845,277</u>
Less: closing work in process		(5,771,073)	(3,794,553)
Cost of goods manufactured		128,592,130	99,050,724
Add: opening finished goods		48,256,053	81,253,393
		<u>176,848,183</u>	<u>180,304,117</u>
Less: closing finished goods		(52,612,106)	(63,597,455)
Cost of sales		<u>124,236,077</u>	<u>116,706,662</u>
6.1 Material consumed			
Opening stocks		74,945,653	58,716,205
Add: purchases during the period		105,577,654	84,966,028
		<u>180,523,307</u>	<u>143,682,233</u>
Less: closing stocks		(71,772,794)	(63,110,735)
		<u>108,750,513</u>	<u>80,571,498</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 during the period are as follows:

	SEPTEMBER 30, 2007 (RUPEES)	SEPTEMBER 30, 2006 (RUPEES)
Contribution to employee provident fund	991,220	3,856,131
Remuneration of directors and key management personnel	3,317,172	2,775,300
	SEPTEMBER 30, 2007 (RUPEES)	JUNE 30, 2007 (RUPEES)

8. 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	63,027,424	134,680,528
iii Letter of credits other than for capital expenditure	37,368,047	33,271,273

9. 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.

10. DATE OF AUTHORIZATION

The financial statements have been authorized for issue by the Board of Directors or the company on **October 26, 2007**.

Rawalpindi
 October 26 2007

Chairperson and Chief Executive

Director