



*Financial Statements for the
Quarter/Six Months
Ended December 31, 2004*

FEROZSONS LABORATORIES LIMITED

197-A, The Mall, Rawalpindi

FEROZSONS LABORATORIES LIMITED
DIRECTORS' REVIEW OF ACCOUNTS FOR THE QUARTER & HALF-YEAR
ENDED DECEMBER 31, 2004

We are pleased to present your company's individual and consolidated un-audited accounts for the half-year ended December 31, 2004. The consolidated accounts incorporate the Company's 98% owned Farmacia retail venture.

Net Sales of your Company during the six months ended December 31, 2004 were Rs. 298.175 Million, an improvement of 29.64% over the figure of Rs. 230.008 Million achieved during the first half of the previous year. Net Sales for the Quarter ended December 31, 2004 were Rs. 151.533 Million, a growth of 27.50% over Quarter II of last year.

Consolidated Net Sales including Farmacia were Rs. 334.991 Million for the six-month period, a growth of 7.80% over the Sales of Rs. 310.752 Million for the same period of last year. For the Quarter ended December 31, Consolidated Net Sales stood at Rs. 169.978 Million, an improvement of 7.32% over Rs. 158.386 Million achieved in the corresponding quarter of last year. The dilution in Consolidated Net Sales is a result of the closure of Farmacia's loss making branches, a necessary action, which although has led to a reduction in sales of this venture, has also made it financially healthier and poised for sustainable growth in the future. From a loss of Rs. 1.173 Million from its 98% share in Farmacia during the first half of last year, the company has earned a profit of Rs. 3.010 Million during the same period of the current year, an improvement of 156.61% in performance.

Gross Profit (GP) of your company improved by 19.24% during the six months under review, from Rs. 143.681 Million for HY 2004 to Rs. 171.326 Million at the close of HY 2005. For the Quarter ended Dec 31, 2004, the GP stood at Rs. 82.166 Million, an increase of 10.91% over the GP of Rs. 74.085 Million achieved during the same quarter of last year.

It is important to point out that your company carried out a reclassification of expense heads in its accounts during the current year in order to improve its cost allocation and budgeting for management accounting purposes. As a result, the allocation of figures between manufacturing, administrative and selling expenses has changed. While this does not of course affect the bottom-line reflected in the accounts, a true comparison of the various individual expense heads during the current year becomes difficult as a result. The primary drivers of increase in overall cost of Sales and Operating costs during the current year so far have been the higher cost of raw materials, resulting from a slightly weaker rupee, and increased depreciation on newly acquired plant, equipment and vehicles.

Your Company's Net Profit from Operations for the half-year stood at Rs. 88.883 Million, an improvement of 42.24% over the figure of Rs. 62.413 Million achieved during HY 2004. After incorporating its share in Profit of Farmacia, other income and gains on remeasurement of short term investments, the Profit Before Taxation after deduction of Workers' Profit Participation and Central Research funds stood at Rs. 90.846 Million and Rs. 43.279 Million for the Half-year and Quarter under review, respectively.

After a provision for taxation of Rs. 28.600 Million (2004: Rs. 19.130 Million), the net Profit After Tax (NPAT) of your Company for the Half-year stands at Rs. 62.245 Million, an improvement of 44.13% over the Net Profit of Rs. 43.186 Million achieved during the same period of the previous year. The NPAT for the Quarter stands at Rs. 30.679 Million, a growth of 40.99% over the figure of 21.760 Million achieved during the corresponding Quarter of last year.

The basic Earnings per Share (EPS) of your Company on its increased paid up capital after issue of 40% bonus shares last year, stand at Rs. 3.97 and Rs. 8.05 per 10-rupee share for the Quarter and the Half-year ended December 31, 2004, respectively.

Dividend

In view of the six-monthly performance, the Board of Directors is pleased to declare a cash dividend of 25%, i.e. Rs. 2.50 per 10-rupee share held, for the six months ended December 31, 2004.

Future Scenario

We are pleased to report that during the month of December 2004, your Company reached an agreement with its alliance partner Laboratorios Bagó SA Argentina to collaborate in setting up a biotechnology-based pharmaceutical plant - the first of its kind in the country - at your Company's recently acquired 27 acre plot near Raiwind, Lahore, for the manufacture of its products used in the treatment of Cancer and Hepatitis C. The plant will be constructed to European Union Standards, and will target export markets in addition to serving the patients of Pakistan. We are very hopeful that its coming on line will not only help lower the cost of treatment of these deadly diseases in the country, but will also help your Company gain greater market share and at the same time put Pakistan on the world map as an exporter of biotechnology products to the most highly regulated and demanding markets.

For and on Behalf of the Board of Directors

(Osman Khalid Waheed)
President

January 28, 2005

FEROZSONS LABORATORIES LIMITED

REVIEW REPORT TO THE MEMBERS

We have reviewed the annexed balance sheet of Ferozsons Laboratories Limited as at 31 December 2004, and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof (here-in-after referred to as the 'financial statements') for the six months period then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these financial statements based on our review.

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

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

ISLAMABAD
DATED JANUARY 28, 2005

TASEER HADI KHALID & CO.
CHARTERED ACCOUNTANTS

FEROZSONS
BALANCE SHEET

	NOTE	DECEMBER 31, 2004 UN-AUDITED (RUPEES)	JUNE 30, 2004 AUDITED (RUPEES)
SHARE CAPITAL AND RESERVES			
Authorised capital		<u>150,000,000</u>	<u>150,000,000</u>
Issued, subscribed and paidup capital		77,282,460	55,201,760
Capital reserve		321,843	321,843
Reserve for issue of bonus shares		6	22,080,706
Unappropriated profit		227,247,909	164,874,732
		<u>304,852,218</u>	<u>242,479,041</u>
SURPLUS ON REVALUATION OF FIXED ASSETS-net of tax		61,088,178	61,284,221
NON CURRENT LIABILITIES			
Liabilities against assets subject to finance lease		23,671,678	2,341,580
DEFERRED LIABILITY FOR TAXATION		17,282,825	17,214,210
CURRENT LIABILITIES			
Trade and other payables		80,161,245	46,288,138
Current maturity of liabilities against assets subject to finance lease		2,280,331	5,141,337
Provision for taxation		28,880,921	44,419,418
Revolving advances		122,456	122,456
Proposed dividend		—	22,080,704
		<u>111,444,953</u>	<u>118,052,053</u>
		<u>518,339,852</u>	<u>441,371,105</u>

The annexed notes 1 to 10 form an integral part of these financial statements. These accounts were authorized for issue on January 28, 2005 by the Board of Directors of the company. These accounts have been signed by three Directors under section 241(2) in the absence of the Chief Executive Mrs. Akhter Khalid Waheed, who is currently abroad.

Rawalpindi
January 28, 2005

LABORATORIES LIMITED
AS AT DECEMBER 31, 2004

	NOTE	DECEMBER 31, 2004 UN-AUDITED (RUPEES)	JUNE 30, 2004 AUDITED (RUPEES)
FIXED ASSETS-tangible			
Property, plant and equipment	3	258,388,302	224,496,329
Capital work in progress		2,422,160	2,457,970
		<u>260,810,462</u>	<u>226,954,299</u>
LONG TERM INVESTMENTS			
	4	17,314,941	14,304,739
LONG TERM DEPOSITS			
		1,918,939	1,662,773
CURRENT ASSETS			
Stores, spares and loose tools		3,903,896	3,408,688
Stock in trade		97,492,747	84,605,100
Trade debts		10,283,592	6,370,838
Loans and advances		24,048,241	35,784,484
Trade Deposits and short term prepayments		3,778,741	2,205,880
Other receivables		—	338,195
Short term investments	5	13,574,750	24,763,787
Cash and bank balances		85,213,543	40,972,322
		238,295,510	198,449,294
		<u>518,339,852</u>	<u>441,371,105</u>

Osman Khalid Waheed
Munize Azhar
Farooq Mazhar

Director/President
Director
Director

FEROZSONS LABORATORIES LIMITED
PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE QUARTER/SIX MONTHS ENDED DECEMBER 31, 2004

	NOTE	QUARTER ENDED DECEMBER 31, 2004 (RUPEES)	SIX MONTHS ENDED DECEMBER 31, 2004 (RUPEES)	QUARTER ENDED DECEMBER 31, 2003 (RUPEES)	SIX MONTHS ENDED DECEMBER 31, 2003 (RUPEES)
Gross sales		165,004,528	325,478,330	130,076,871	251,067,078
Less: Discount		13,471,755	27,302,649	11,227,414	21,059,227
Net sales		151,532,773	298,175,681	118,849,457	230,007,851
Cost of sales	6	69,366,814	126,849,572	44,764,763	86,327,083
GROSS PROFIT		82,165,959	171,326,109	74,084,694	143,680,768
Other operating income		1,671,065	3,551,028	716,301	2,690,475
		83,837,024	174,877,137	74,800,995	146,371,243
Distribution cost		34,097,367	65,666,508	34,724,974	64,826,555
Administrative expenses		10,089,560	21,243,538	10,079,512	19,419,600
PROFIT FROM OPERATIONS		39,650,097	87,967,091	29,996,509	62,125,088
Gain on remeasurement of short term investments		1,782,868	681,509	2,094,064	2,094,064
Share in profit/(loss) of Farmacia- 98% owned partnership		2,375,567	3,010,202	(1,385,188)	(1,173,401)
Finance cost		(529,512)	(813,053)	(345,314)	(729,380)
NET PROFIT BEFORE TAXATION		43,279,020	90,845,749	30,360,071	62,316,371
Provision for taxation		12,600,000	28,600,000	8,600,000	19,130,083
NET PROFIT AFTER TAXATION		30,679,020	62,245,749	21,760,071	43,186,288
Earnings per share - basic and diluted (Rupees)		3.97	8.05	2.82	5.59

The annexed notes 1 to 10 form an integral part of these financial statements.
These accounts have been signed by three Directors under section 241(2) in the absence of the Chief Executive
Mrs. Akhter Khalid Waheed, who is currently abroad.

Rawalpindi
January 28, 2005

Osman Khalid Waheed
Munize Azhar
Farooq Mazhar

Director/President
Director
Director

FEROZSONS LABORATORIES LIMITED
CASH FLOW STATEMENT (UN-AUDITED)
FOR THE SIX MONTHS ENDED DECEMBER 31, 2004

	DECEMBER 31, 2004 (RUPEES)	DECEMBER 31, 2003 (RUPEES)
Profit before taxation	90,845,749	62,316,371
Cash flow from operating activities		
Adjustment for:		
Depreciation	10,856,215	7,003,588
Loss/(gain) on sale of fixed assets	2,310	(372,621)
Finance cost	813,053	729,380
Profit/interest from investments/ bank deposits/capital gains	(3,553,338)	(2,317,854)
Gain on remeasurement of short term investments	(681,509)	(2,094,064)
	7,436,731	2,948,429
Operating profit before working capital changes	98,282,480	65,264,800
Decrease/(increase) in:		
Stocks and stores	(13,382,855)	13,140,953
Trade debtors	(3,912,754)	3,129,086
Advances, deposits, prepayments and other receivables	(4,138,104)	8,911,238
	(21,433,713)	25,181,277
Increase/(decrease) in current liabilities	30,798,277	(7,269,443)
	107,647,044	83,176,634
Finance cost	(813,053)	(729,380)
Taxes paid	(29,754,982)	(23,119,101)
Dividend paid	(19,005,874)	(16,787,284)
	58,073,135	42,540,869
Cash flow from investing activities		
Long term investments	(3,010,202)	(16,226,494)
Capital expenditure	(44,753,688)	(44,173,340)
Fixed assets transferred to Farmacia	—	5,249,663
Short term investments	11,870,546	(7,551,940)
Profit/interest from investments/ bank deposits/capital gains received	3,553,338	2,317,854
Sale proceeds of fixed assets	39,000	736,056
Net cash used in investing activities	(32,301,006)	(59,648,201)
Cash flow from financing activities		
Finance leases repaid	(7,808,408)	(2,789,900)
Finance leases obtained	26,277,500	—
Net cash from/(used in)/financing activities	18,469,092	(2,789,900)
Net increase/(decrease) in cash and cash equivalents	44,241,221	(19,897,232)
Cash and cash equivalents at the beginning of the period	40,972,322	37,038,656
Cash and cash equivalents at the end of the period	85,213,543	17,141,424

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

Rawalpindi
January 28, 2005

Osman Khalid Waheed
Munize Azhar
Farooq Mazhar

Director/President
Director
Director

FEROZSONS LABORATORIES LIMITED
STATEMENT OF CHANGES IN EQUITY(UN-AUDITED)
FOR THE SIX MONTHS ENDED DECEMBER 31, 2004

	Share capital (Rupees)	Capital reserve (Rupees)	Reserve for Issue of bonus shares (Rupees)	Unappropriated Profit (Rupees)	Total (Rupees)
Balance as at June 30, 2003	44,161,410	321,843	11,040,356	124,381,575	179,905,184
Net profit for the period	—	—	—	43,186,288	43,186,288
Bonus shares issued	11,040,350	—	(11,040,350)	—	—
Surplus on revaluation of fixed assets realized through depreciation for the six months- net of deferred tax	—	—	—	129,845	129,845
Interim dividend Rs. 3 Per share	—	—	—	(16,560,528)	(16,560,528)
Balance as at December 31, 2003	55,201,760	321,843	6	151,137,180	206,660,789
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	—	—	—	62,245,749	62,245,749
Bonus shares issued	22,080,700	—	(22,080,700)	—	—
Surplus on revaluation of fixed assets realized through depreciation for the six months- net of deferred tax	—	—	—	127,428	127,428
Balance as at December 31, 2004	77,282,460	321,843	6	227,247,909	304,852,218

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

Rawalpindi
January 28, 2005

Osman Khalid Waheed
Munize Azhar
Farooq Mazhar

Director/President
Director
Director

FEROZSONS LABORATORIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED DECEMBER 31, 2004
(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 accounts 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 accounts are the same as those applied in the preparation of the annual accounts of the Company for the preceding year ended June 30, 2004, except for changes referred in note 2.4.

2.4 Dividend is recognized as a liability in the period in which it is declared. Upto previous period, dividends proposed after the balance sheet date but before the financial statements were authorised for issue were recorded as a liability. The change has been necessitated by revision in the 4th Schedule to the Companies Ordinance, 1984. Proforma information required under International Accounting Standard 8: "Net Profit or Loss for the Period, Fundamental Errors and Changes in Accounting Policies" is presented in note 7 to the financial statements.

3. Fixed assets

	DECEMBER 31, 2004 (RUPEES)	DECEMBER 31, 2003 (RUPEES)
Opening net book value	224,496,329	178,468,756
Add:		
Additions during the period	44,789,498	42,949,643
Less:		
Written down value of disposals	41,310	363,435
Depreciation	10,856,215	7,003,588
Adjustment on account of separation of Farmacia fixed assets	—	5,249,663
	10,897,525	12,616,686
	258,388,302	208,801,713

	DECEMBER 31, 2004 (RUPEES)	JUNE 30, 2004 (RUPEES)
4. Long term investments		
Investment in subsidiary (4.1)	17,281,856	14,271,654
Held to maturity	—	4,995,996
Available for sale-unquoted shares	33,085	33,085
	<u>17,314,941</u>	<u>19,300,735</u>
Less: transferred to current maturity	—	(4,995,996)
	<u>17,314,941</u>	<u>14,304,739</u>
4.1 Long term investment in Farmacia-98% owned partnership concern		
Share of profit/(loss) of Farmacia for the period	14,271,654	17,401,095
	3,010,202	(3,129,441)
	<u>17,281,856</u>	<u>14,271,654</u>
5. Short Term Investments		
Held for trading	5.1 13,574,750	19,767,791
Current portion of investment held to maturity	—	4,995,996
	<u>13,574,750</u>	<u>24,763,787</u>

5.1 Quoted - shares

Number of shares		Name of Companies	December 31, 2004 (Rupees)		June 30, 2004 (Rupees)	
December 31, 2004	June 30, 2004		Carrying value	Fair value	Carrying value	Fair value
—	25,500	PICIC Commercial Bank Limited Ordinary shares of Rs. 10 each	—	—	628,895	860,625
—	61,600	Faysal Bank Ltd. Ordinary shares of Rs. 10 each	—	—	2,103,229	2,202,200
—	200,000	Pakistan Telecommunication Company Limited 'A' class shares of Rs. 10 each	—	—	8,654,480	8,430,000
—	1,077	Oil and Gas Development Co. Ltd., Ordinary shares of Rs. 10 each	—	—	34,475	69,466
110,000	110,000	Hub Power Company Limited Ordinary shares of Rs. 10 each	4,083,770	3,531,000	4,083,770	3,553,000
—	10,000	Pakistan Oilfield Limited Ordinary shares of Rs. 10 each	—	—	1,987,920	2,085,000
—	10,000	Pakistan State Oil Co. Limited Ordinary shares of Rs. 10 each	—	—	2,710,800	2,567,500
125,000	—	National Bank of Pakistan Limited	8,809,471	10,043,750		
			12,893,241	13,574,750	20,203,569	19,767,791
		Unrealised gain/(loss) on account of remeasurement to fair value	681,509	—	(435,778)	—
			<u>13,574,750</u>	<u>13,574,750</u>	<u>19,767,791</u>	<u>19,767,791</u>
			=====	=====	=====	=====

		SIX MONTHS ENDED DECEMBER 31, 2004 (RUPEES)	SIX MONTHS ENDED DECEMBER 31, 2003 (RUPEES)
6. Cost of sales			
Material consumed	6.1	113,265,146	60,168,638
Manufacturing expenses		31,931,949	24,310,517
Opening Work in process		3,748,567	2,642,562
		<u>148,945,662</u>	<u>87,121,717</u>
Less: closing work in process		6,314,540	4,736,145
Cost of goods manufactured		142,631,122	82,385,572
Add: opening finished goods		22,819,607	30,627,105
		<u>165,450,729</u>	<u>113,012,677</u>
Less: closing finished goods		38,601,157	26,685,594
Cost of sales		<u>126,849,572</u>	<u>86,327,083</u>
6.1 Material consumed			
Opening stock		54,689,766	51,899,636
Add: purchases during the period		110,832,894	62,282,780
		<u>165,522,660</u>	<u>114,182,416</u>
Less: closing stock		52,257,514	54,013,778
		<u>113,265,146</u>	<u>60,168,638</u>

7. Re-stated proforma information

	Actual		Proforma	
	December 31, 2004	December 31, 2003	Restated December 31, 2004	Restated December 31, 2003
(Rupees)				
Statement of retained earning				
Opening balance as at July, 0 1 as previously reported	164,874,732	124,381,575	164,874,732	124,381,575
Change in accounting policy Proposed final dividend	—	—	22,080,700	19,872,635
Opening balance as at July, 0 1 restated	164,874,732	124,381,575	186,955,432	144,254,210
Profit for the period	62,245,749	43,186,288	62,245,749	43,186,288
Transferred from surplus on revaluation of fixed assets to unappropriated profit-net of tax	127,428	129,845	127,428	129,845
Dividends	—	(16,560,528)	(22,080,700)	(19,872,635)
Closing balance as at December 31, 2004	<u>227,247,909</u>	<u>151,137,180</u>	<u>227,247,909</u>	<u>167,697,708</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 other than remuneration and benefits to key management personnel under the terms of their employment are as follows:

Purchase of listed securities	31,646,220	16,528,602
Sale of listed securities	40,886,362	13,347,027
Sale of medicines	1,251,514	644,632
Payment of lease rentals on behalf of Farmacia	100,798	100,798
Contribution to Contributory provident fund	1,502,494	1,413,576

The following are related parties of the company:

- Akbarally Cassim & Sons
- 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".

9. Contingencies and commitments

- 9.1 Standard Chartered Bank Limited, Rawalpindi and Bank Alfalah Limited, Rawalpindi have issued letter of guarantees amounting to Rs. 0.492 million (June 2004: Rs. 0.492 million). On behalf of the company in the ordinary course of business.
- 9.2 Commitments in respect of irrevocable letters of credit amounted to Rs. 43.762 million (June 2004: Rs. 24.564 million) at the period end.
- 9.3 Certain cases are pending against the company in different Courts of law, however the management is confident of a favorable decision.

10. General

- 10.1 The figures have been rounded off to the nearest rupee.
- 10.2 Due to revision of the 4th schedule to the Companies Ordinance, 1984 by the Securities and Exchange Commission of Pakistan vide SRO. 589(1)/2004 dated July 5, 2004, previous period's figures have been rearranged and/or reclassified, wherever necessary, for the purpose of comparison.
- 10.3 The directors in the Board of Directors meeting held on January 28, 2005 have recommended an interim dividend of Rs. 2.50 per share.

Rawalpindi
January 28, 2005

Osman Khalid Waheed
Munize Azhar
Farooq Mazhar

Director/President
Director
Director



*Consolidated Financial Statements
for the Quarter/Six Months
Ended December 31, 2004*

FEROZSONS LABORATORIES LIMITED

197-A, The Mall, Rawalpindi

**FEROZSONS
CONSOLIDATED BALANCE**

NOTE	DECEMBER 31, 2004 UN-AUDITED (RUPEES)	JUNE 30, 2004 AUDITED (RUPEES)
SHARE CAPITAL AND RESERVES		
Authorised capital	150,000,000	150,000,000
Issued, subscribed and paidup capital	77,282,460	55,201,760
Capital reserve	321,843	321,843
Reserve for issue of bonus shares	6	22,080,706
Unappropriated profit	227,247,909	164,874,732
	<u>304,852,218</u>	<u>242,479,041</u>
SURPLUS ON REVALUATION OF FIXED ASSETS-net of tax	61,088,178	61,284,221
MINORITY INTEREST	352,692	291,259
NON CURRENT LIABILITIES		
Liabilities against assets subject to finance lease	23,671,678	2,341,580
DEFERRED LIABILITY FOR TAXATION	17,282,825	17,214,210
CURRENT LIABILITIES		
Trade and other payables	84,525,776	51,381,311
Current maturity of liabilities against assets subject to finance lease	2,280,331	5,141,337
Provision for taxation	29,159,680	45,076,847
Revolving advances	122,456	122,456
Proposed dividend	—	22,080,704
	<u>116,088,243</u>	<u>123,802,655</u>
	<u>523,335,834</u>	<u>447,412,966</u>

The annexed notes 1 to 10 form an integral part of these financial statements. These accounts were authorized for issue on January 28, 2005 by the Board of Directors of the company. These accounts have been signed by three Directors under section 241(2) in the absence of the Chief Executive Mrs. Akhter Khalid Waheed, who is currently abroad.

Rawalpindi
January 28, 2005

LABORATORIES LIMITED
SHEET AS AT DECEMBER 31, 2004

	NOTE	DECEMBER 31, 2004 UN-AUDITED (RUPEES)	JUNE 30, 2004 AUDITED (RUPEES)
FIXED ASSETS-tangible			
Property, plant and equipment	3	261,636,950	227,914,617
Capital work in progress		2,422,160	2,457,970
		<u>264,059,110</u>	<u>230,372,587</u>
LONG TERM INVESTMENTS	4	33,085	33,085
LONG TERM DEPOSITS		1,930,139	1,722,973
CURRENT ASSETS			
Stores, spares and loose tools		3,903,896	3,408,688
Stock in trade		101,441,565	90,984,280
Trade debts		13,111,504	9,881,645
Loans and advances		24,471,974	36,567,022
Trade Deposits and short term prepayments		3,806,545	2,221,309
Other receivables		—	338,195
Short term investments	5	13,574,750	24,763,787
Cash and bank balances		97,003,266	47,119,395
		<u>257,313,500</u>	<u>215,284,321</u>
		<u><u>523,335,834</u></u>	<u><u>447,412,966</u></u>

Osman Khalid Waheed
Munize Azhar
Farooq Mazhar

Director/President
Director
Director

FEROZSONS LABORATORIES LIMITED
CONSOLIDATED PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE QUARTER/SIX MONTHS ENDED DECEMBER 31, 2004

	NOTE	QUARTER ENDED DECEMBER 31, 2004 (RUPEES)	SIX MONTHS ENDED DECEMBER 31, 2004 (RUPEES)	QUARTER ENDED DECEMBER 31, 2003 (RUPEES)	SIX MONTHS ENDED DECEMBER 31, 2003 (RUPEES)
Gross sales		183,793,611	362,941,325	169,660,074	332,327,092
Less: Discount		13,815,198	27,950,280	11,274,143	21,575,574
Net sales		169,978,413	334,991,045	158,385,931	310,751,518
Cost of sales	6	84,084,761	158,127,050	80,883,993	158,913,681
GROSS PROFIT		85,893,652	176,863,995	77,501,938	151,837,837
Other operating income		1,690,577	3,573,000	728,421	2,727,439
		87,584,229	180,436,995	78,230,359	154,565,276
Distribution cost		35,294,266	67,843,292	39,567,795	74,217,936
Administrative expenses		10,089,560	21,243,538	10,079,512	19,419,600
PROFIT FROM OPERATIONS		42,200,403	91,350,165	28,583,052	60,927,740
Gain on remeasurement of short term investment		1,782,868	681,509	2,094,064	2,094,064
Finance cost		(562,192)	(845,733)	(345,314)	(729,380)
NET PROFIT BEFORE TAXATION		43,421,079	91,185,941	30,331,802	62,292,424
Provision for taxation		12,693,578	28,878,759	8,600,000	19,130,083
NET PROFIT AFTER TAXATION		30,727,501	62,307,182	21,731,802	43,162,341
Minority interest		48,481	61,433	28,269	23,947
PROFIT ATTRIBUTABLE TO HOLDING COMPANY		30,679,020	62,245,749	21,703,533	43,138,394
Earnings per share - basic and diluted (Rupees)		3.97	8.05	2.82	5.59

The annexed notes 1 to 10 form an integral part of these financial statements.
These accounts have been signed by three Directors under section 241(2) in the absence of the Chief Executive
Mrs. Akhter Khalid Waheed, who is currently abroad.

Rawalpindi
January 28, 2005

Osman Khalid Waheed
Munize Azhar
Farooq Mazhar

Director/President
Director
Director

FEROZSONS LABORATORIES LIMITED
CONSOLIDATED CASH FLOW STATEMENT (UN-AUDITED)
FOR THE SIX MONTHS ENDED DECEMBER 31, 2004

	DECEMBER 31, 2004 (RUPEES)	DECEMBER 31, 2003 (RUPEES)
Profit before taxation	91,185,941	62,316,371
Cash flow from operating activities		
Adjustment for:		
Depreciation	11,062,454	7,321,734
Loss/(gain) on sale of fixed assets	2,310	(372,621)
Financial charges	845,733	729,380
Profit/interest from investments/ bank deposits/capital gains	(3,573,000)	(2,317,854)
Gain on remeasurement of short term investments	(681,509)	(2,094,064)
	7,655,988	3,266,575
Operating profit before working capital changes	98,841,929	65,582,946
Decrease/(increase) in:		
Stocks and stores	(10,952,493)	(2,898,218)
Trade debtors	(3,229,859)	(3,412,908)
Advances, deposits, prepayments and other receivables	(4,107,110)	5,889,235
	(18,289,462)	(421,891)
Increase/(decrease) in current liabilities	30,066,601	7,476,929
Minority interest	110,619,068	72,637,984
	—	331,178
	110,619,068	72,969,162
Financial charges paid	(845,733)	(729,380)
Taxes paid	(30,044,941)	(23,119,101)
Dividend paid	(19,005,874)	(16,787,284)
	60,722,520	32,333,397
Cash flow from investing activities		
Long term investments	—	1,200
Capital expenditure	(44,790,286)	(44,449,214)
Short term investments	11,870,546	(7,551,940)
Profit/interest from investments/ bank deposits/capital gains received	3,573,000	2,317,854
Sale proceeds of fixed assets	39,000	736,056
Net cash used in investing activities	(29,307,740)	(48,946,044)
Cash flow from financing activities		
Finance leases repaid	(7,808,408)	(2,789,900)
Finance leases obtained	26,277,500	—
Net cash from/(used in) financing activities	18,469,092	(2,789,900)
Net increase/(decrease) in cash and cash equivalents	49,883,872	(19,402,547)
Cash and cash equivalents at the beginning of the period	47,119,395	37,038,656
Cash and cash equivalents at the end of the period	97,003,267	17,636,109

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

Rawalpindi
January 28, 2005

Osman Khalid Waheed
Munize Azhar
Farooq Mazhar

Director/President
Director
Director

FEROZSONS LABORATORIES LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE SIX MONTHS ENDED DECEMBER 31, 2004

	Share capital (Rupees)	Capital reserve (Rupees)	Reserve for Issue of bonus shares (Rupees)	Unappropriated Profit (Rupees)	Total (Rupees)
Balance as at June 30, 2003	44,161,410	321,843	11,040,356	124,381,575	179,905,184
Net profit for the period	—	—	—	43,186,288	43,186,288
Bonus shares issued	11,040,350	—	(11,040,350)	—	—
Surplus on revaluation of fixed assets realized through depreciation for the six months- net of deferred tax	—	—	—	129,845	129,845
Interim dividend Rs. 3 Per share	—	—	—	(16,560,528)	(16,560,528)
Balance as at December 31, 2003	55,201,760	321,843	6	151,137,180	206,660,789
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	—	—	—	62,245,749	62,245,749
Bonus shares issued	22,080,700	—	(22,080,700)	—	—
Surplus on revaluation of fixed assets realized through depreciation for the six months- net of deferred tax	—	—	—	127,428	127,428
Balance as at December 31, 2004	77,282,460	321,843	6	227,247,909	304,852,218

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

Rawalpindi
January 28, 2005

Osman Khalid Waheed
Munize Azhar
Farooq Mazhar

Director/President
Director
Director

FEROZSONS LABORATORIES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED DECEMBER 31, 2004
(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 accounts have been prepared in accordance with the requirements of the International Accounting Standard 34 "Interim Financial Reporting" as applicable in Pakistan.

2.2 These accounts 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 accounts are the same as those applied in the preparation of the annual accounts of the Company for the preceding year ended June 30, 2004, except for changes referred in note 2.4. The consolidated accounts include the accounts of the holding company i.e Ferozsons Laboratories Limited and its 98% owned partnership concern Farmacia.

2.4 Dividend is recognized as a liability in the period in which it is declared. Upto previous year, dividends proposed after the balance sheet date but before the financial statements were authorised for issue were recorded as a liability. The change has been necessitated by revision in the 4th Schedule to the Companies Ordinance, 1984. Proforma information required under International Accounting Standard 8: "Net Profit or Loss for the Period, Fundamental Errors and Changes in Accounting Policies" is presented in note 7 to the financial statements.

	DECEMBER 31, 2004 (RUPEES)	DECEMBER 31, 2003 (RUPEES)
3. Fixed assets		
Opening net book value	227,914,617	178,468,756
Add:		
Additions during the period	44,826,097	43,225,517
Less:		
Written down value of disposals	41,310	363,435
Depreciation	11,062,454	7,321,734
	11,103,764	7,685,169
	261,636,950	214,009,104

	DECEMBER 31, 2004 (RUPEES)	JUNE 30, 2003 (RUPEES)
4. Long term investments		
Held to maturity	—	4,995,996
Available for sale-unquoted shares	33,085	33,085
	<u>33,085</u>	<u>5,029,081</u>
Less: transferred to current maturity	—	(4,995,996)
	<u>33,085</u>	<u>33,085</u>
5. Short Term Investments		
Held for trading	5.1 13,574,750	19,767,791
Current portion of investment held to maturity	—	4,995,996
	<u>13,574,750</u>	<u>24,763,787</u>

5.1 Quoted - shares

Number of shares	Name of Companies	December 31, 2004 (Rupees)		June 30, 2004 (Rupees)		
		December 31, 2004	June 30, 2004	Carrying value	Fair value	
—	25,500	PICIC Commercial Bank Limited Ordinary shares of Rs. 10 each	—	—	628,895	860,625
—	61,600	Faysal Bank Ltd. Ordinary shares of Rs. 10 each	—	—	2,103,229	2,202,200
—	200,000	Pakistan Telecommunication Company Limited 'A' class shares of Rs. 10 each	—	—	8,654,480	8,430,000
—	1,077	Oil and Gas Development Co. Ltd., Ordinary shares of Rs. 10 each	—	—	34,475	69,466
110,000	110,000	Hub Power Company Limited Ordinary shares of Rs. 10 each	4,083,770	3,531,000	4,083,770	3,553,000
—	10,000	Pakistan Oilfield Limited Ordinary shares of Rs. 10 each	—	—	1,987,920	2,085,000
—	10,000	Pakistan State Oil Co. Limited Ordinary shares of Rs. 10 each	—	—	2,710,800	2,567,500
125,000	—	National Bank of Pakistan Limited	8,809,471	10,043,750	—	—
			<u>12,893,241</u>	<u>13,574,750</u>	<u>20,203,569</u>	<u>19,767,791</u>
		Unrealised gain/(loss) on account of remeasurement to fair value	681,509	—	(435,778)	—
			<u>13,574,750</u>	<u>13,574,750</u>	<u>19,767,791</u>	<u>19,767,791</u>
			=====	=====	=====	=====

		SIX MONTHS ENDED DECEMBER 31, 2004 (RUPEES)	SIX MONTHS ENDED DECEMBER 31, 2003 (RUPEES)
6.	Cost of sales		
	Material consumed	6.1 144,336,384	132,437,090
	Manufacturing expenses	32,138,189	24,628,663
	Opening Work in process	3,748,567	2,642,562
		<u>180,223,140</u>	<u>159,708,315</u>
	Less: closing work in process	6,314,540	4,736,145
	Cost of goods manufactured	173,908,600	154,972,170
	Add: opening finished goods	22,819,607	26,685,594
		<u>196,728,207</u>	<u>181,657,764</u>
	Less: closing finished goods	38,601,157	26,685,594
	Cost of sales	<u>158,127,050</u>	<u>154,972,170</u>
6.1	Material consumed		
	Opening stock	61,068,946	67,014,921
	Add: purchases during the period	139,473,770	135,475,118
		<u>200,542,716</u>	<u>202,490,039</u>
	Less: closing stock	56,206,332	70,052,949
		<u>144,336,384</u>	<u>132,437,090</u>

7. Re-stated proforma information

	Actual		Proforma	
	December 31, 2004	December 31, 2003	Restated December 31, 2004	Restated December 31, 2003
	(Rupees)			
Statement of retained earning				
Opening balance as at July, 0 1 as previously reported	164,874,732	124,381,575	164,874,732	124,381,575
Change in accounting policy				
Proposed final dividend	—	—	22,080,700	19,872,635
Opening balance as at July, 0 1 restated	164,874,732	124,381,575	186,955,432	144,254,210
Profit for the period	62,245,749	43,186,288	62,245,749	43,186,288
Transferred from surplus on revaluation of fixed assets to unappropriated profit-net of tax	127,428	129,845	127,428	129,845
Dividends	—	(16,560,528)	(22,080,700)	(19,872,635)
Closing balance as at December 31, 2004	<u>227,247,909</u>	<u>151,137,180</u>	<u>227,247,909</u>	<u>167,697,708</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 other than remuneration and benefits to key management personnel under the terms of their employment are as follows:

Purchase of listed securities	31,646,220	16,528,602
Sale of listed securities	40,886,362	13,347,027
Contribution to Contributory provident fund	1,502,494	1,413,576

The following are related parties of the company:

- Akbarally Cassim & Sons
- 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".

9. Contingencies and commitments

- 9.1 Standard Chartered Bank Limited, Rawalpindi and Bank Alfalah Limited, Rawalpindi have issued letter of guarantees amounting to Rs. 0.492 million (June 2004: Rs. 0.492 million). On behalf of the company in the ordinary course of business.
- 9.2 Commitments in respect of irrevocable letters of credit amounted to Rs. 43.762 million (June 2004: Rs. 24.564 million) at the period end.
- 9.3 Certain cases are pending against the company in different Courts of law, however the management is confident of a favorable decision.

10. General

- 10.1 The figures have been rounded off to the nearest rupee.
- 10.2 Due to revision of the 4th schedule to the Companies Ordinance, 1984 by the Securities and Exchange Commission of Pakistan vide SRO. 589(1)/2004 dated July 5, 2004, previous period's figures have been rearranged and/or reclassified, wherever necessary, for the purpose of comparison.
- 10.3 The directors in the Board of Directors meeting held on January 28, 2005 have recommended an interim dividend of Rs. 2.50 per share.

Rawalpindi
January 28, 2005

Osman Khalid Waheed
Munize Azhar
Farooq Mazhar

Director/President
Director
Director