



***Condensed Interim
Financial Information
for the Quarter/Nine Months
Ended 31 March 2014***



FEROZSONS
LABORATORIES LIMITED

DIRECTORS' REVIEW OF THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE NINE MONTHS & QUARTER ENDED 31 MARCH 2014

We are pleased to present your Company's un-audited individual and consolidated financial information for the nine months & quarter ended 31 March 2014. The consolidated financial information incorporates the Company's 98% owned retail venture Farmacia and 80% owned subsidiary BF Biosciences Limited.

OPERATIONAL AND FINANCIAL PERFORMANCE

A summary of operating results is given below:

	Individual				Consolidated			
	3 Months	3 Months	9 Months	9 Months	3 Months	3 Months	9 Months	9 Months
	31 Mar-14	31-Mar-13	31-Mar-14	31-Mar-13	31-Mar-14	31-Mar-13	31-Mar-14	31-Mar-13
(Rupees in thousands)								
Sales (net)	667,327	467,838	1,812,368	1,372,032	954,865	693,461	2,802,187	2,039,876
Gross Profit	356,720	263,746	955,665	764,800	487,401	358,854	1,361,787	1,048,330
Profit before tax	189,860	109,692	453,441	343,123	244,452	140,222	608,323	417,192
Taxation	(52,451)	(31,691)	(127,566)	(104,112)	(66,997)	(40,842)	(180,235)	(123,422)
Profit after tax	137,409	78,001	325,875	239,011	177,455	99,380	428,088	293,770

Net sales of your Company grew by 43% for the 3rd quarter under review versus the same quarter last year. At the group level, the consolidated net sales grew by 38% for the 3rd quarter under review versus the same quarter last year. Net sales of your Company showed an increase of 32% over the nine months in comparison with last year same period, led by a strong performance in its medical devices division, and healthy growth in its domestic and export pharmaceutical sales for the 3rd quarter. At the group level, the consolidated net sales grew by 37% in comparison with last year same period.

The cost of sales of your Company showed an increase of 52% for the 3rd quarter as compared to last year same period and by 41% over the nine months period ended 31 March 2014, reflecting the higher cost of inputs. Correspondingly, the gross profits increased by 35% for the 3rd quarter as compared to last year same period and 25% over the nine months. At the group level, the gross profit showed an increase of 36% for the 3rd quarter as compared to the same quarter last year and 30% over the nine months period.

The Net Profit after Tax (NPAT) of the Company closed at Rs. 325 million, showing a 36% growth of over the same period last year, while consolidated NPAT stood at Rs. 428 Million for the first nine months of the current year.

Based on the net profit for the nine months ended 31 March 2014, the Earnings per Share (EPS), both basic and diluted, stand at Rs. 10.80 compared to EPS of Rs. 7.92 of same period last year. Consolidated EPS for the Company stands at Rs. 13.50 for the 9 month period.

BF Biosciences Limited Operational Status

Net sales of BF Biosciences Limited stood at Rs. 995 million for the nine months ended 31 March 2014, showing a growth of 68% over the same period last year. However the cost of sales grew by 83% for the nine months period under review, reflecting an increased cost of inputs, as well as lower GP margins on public sector supplies. Profit after tax of BF Biosciences Limited stood at Rs. 103 million for the nine months period ended 31 March 2014.



Future Outlook

In addition to the problems related to energy shortages faced by all industries across the board, the pharmaceutical industry in Pakistan remains hostage to regulatory factors that are entirely linked to issues of governance.

Despite spiraling costs, the industry has been denied any inflationary adjustment in its prices since 2001. Although the Drugs Regulatory Agency of Pakistan was officially formed in December 2012, it remains without a full-time Chief Executive even today, and the office of Secretary is also currently vacant. With a pro-business government in place that prides itself on good governance, such lapses of focus and the lack of prioritization of the key issue of health are disappointing outcomes.

We remain hopeful that this industry, that is highly competitive has repeatedly been identified as a potential engine of growth for the country's economy, will finally be provided a regulatory policy that encourages investment in quality and scale, and enables it to play its due role in the country's physical and financial wellbeing.

Acknowledgments

It is my privilege on behalf of the Board to recognize the tireless efforts of the Company's management and staff at all levels. Without their dedication and hard work, the improved financial and operational results reflected in this interim period would not have been possible.

We would also like to thank our valued prescribers for their continued trust in our products. We are making all efforts to widen the range of our products with the highest of quality standards. We are grateful to our distributors, vendors and financial institutions for their extended cooperation.

For and on behalf of the Board of Directors

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

CONDENSED INTERIM BALANCE SHEET

		Un-Audited 31 March 2014	Audited 30 June 2013
Note	-----Rupees-----		
EQUITY AND LIABILITIES			
Share capital and reserves			
	Authorized share capital 50,000,000 (30 June 2013: 50,000,000) ordinary shares of Rs. 10 each	<u>500,000,000</u>	<u>500,000,000</u>
	Issued, subscribed and paid up capital	301,868,410	301,868,410
	Capital reserve	321,843	321,843
	Accumulated profit	<u>1,947,118,720</u>	<u>1,918,841,956</u>
		2,249,308,973	2,221,032,209
	Surplus on revaluation of property, plant and equipment - net of tax	4	374,449,388
		374,449,388	378,719,924
	Non current liabilities		
	Deferred taxation	41,603,565	41,714,772
	Current liabilities		
	Trade and other payables	371,643,654	274,987,658
	Provision for taxation - net	15,402,069	-
	Short term borrowings - secured	<u>122,032,089</u>	<u>695,869</u>
		509,077,812	275,683,527
	Contingencies and commitments	5	
		<u>3,174,439,738</u>	<u>2,917,150,432</u>

The annexed notes from 1 to 16 form an integral part of this condensed interim financial information.

AS AT 31 MARCH 2014

		Un-Audited 31 March 2014	Audited 30 June 2013
	Note	-----Rupees-----	
ASSETS			
Non-current assets			
Property, plant and equipment	6	1,123,722,154	1,083,988,968
Intangible assets	7	512,713	1,884,709
Long term investments	8	228,668,942	224,732,076
Long term loan		125,000,000	275,000,000
Long term deposits		3,786,100	3,786,100
		1,481,689,909	1,589,391,853
Current assets			
Stores, spare parts and loose tools		14,554,599	8,689,264
Stock in trade		594,744,516	566,590,600
Trade debts - considered good		293,319,472	139,090,930
Current portion of long term loan		50,000,000	50,000,000
Loans and advances - considered good		34,278,793	14,914,151
Deposits and prepayments		31,202,733	22,944,037
Mark-up accrued		6,532,892	8,765,865
Income tax - net		-	33,755,110
Other receivables	9	7,319,397	16,911,522
Short term investments	10	630,751,043	398,852,989
Cash and bank balances		30,046,384	67,244,111
		1,692,749,829	1,327,758,579
		3,174,439,738	2,917,150,432

Director

Chairperson & Chief Executive

**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE QUARTER / NINE MONTHS ENDED 31 MARCH 2014**

	Note	For the nine months ended		For the three months ended	
		31 March 2014	31 March 2013	31 March 2014	31 March 2013
Rupees					
Revenue - net	11	1,812,367,755	1,372,032,415	667,327,141	467,837,956
Cost of sales	12	(856,703,142)	(607,232,765)	(310,606,798)	(204,091,517)
Gross profit		955,664,613	764,799,650	356,720,343	263,746,439
Other income		66,754,305	67,632,629	28,622,968	18,157,515
Administrative expenses		(112,216,208)	(106,784,081)	(36,740,615)	(36,636,035)
Selling and distribution costs		(411,159,002)	(357,203,306)	(140,499,336)	(122,702,213)
Finance costs		(11,013,975)	(6,366,735)	(4,042,470)	(3,679,732)
Other expenses		(38,525,905)	(24,788,900)	(15,545,419)	(7,342,964)
Share in profit of Farmacia - 98% owned partnership firm		3,936,866	5,833,514	1,344,873	(1,851,096)
Profit before taxation		453,440,694	343,122,771	189,860,344	109,691,914
Taxation	13	(127,566,056)	(104,112,078)	(52,451,152)	(31,691,125)
Profit after taxation		325,874,638	239,010,692	137,409,192	78,000,788
Earnings per share - basic and diluted		10.80	7.92	4.55	2.58

The annexed notes from 1 to 16 form an integral part of this condensed interim financial information.

Lahore

Director

Chairperson & Chief Executive

**CONDENSED INTERIM STATEMENT OF
 COMPREHENSIVE INCOME (UN-AUDITED)
 FOR THE QUARTER / NINE MONTHS ENDED 31 MARCH 2014**

	For the nine months ended		For the three months ended	
	31 March 2014	31 March 2013	31 March 2014	31 March 2013
	-----Rupees-----			
Profit after taxation	325,874,638	239,010,692	137,409,192	78,000,788
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	<u>325,874,638</u>	<u>239,010,692</u>	<u>137,409,192</u>	<u>78,000,788</u>

The annexed notes from 1 to 16 form an integral part of this condensed interim financial information.

Lahore

Director

Chairperson & Chief Executive

**CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE NINE MONTHS ENDED 31 MARCH 2014**

	Un-Audited 31 March 2014	Un-Audited 31 March 2013
-----Rupees-----		
Cash flow from operating activities		
Profit before taxation	453,440,694	343,122,771
Adjustments for:		
Depreciation	73,819,667	54,615,910
Amortisation	1,371,996	1,371,996
Gain on sale of property, plant and equipment	(10,837,091)	(3,291,845)
Finance costs	11,013,975	6,366,735
Gain on re-measurement of short term investments	(24,511,377)	(21,295,921)
Dividend income, profit on bank deposits and commissions	(395,055)	(13,291,451)
Interest income	(22,187,384)	(29,753,411)
Share in profit of Farmacia - 98% owned subsidiary firm	(3,936,866)	(5,833,514)
	24,337,865	(11,111,501)
Cash generated from operations before working capital changes	477,778,559	332,011,270
Effect on cash flow due to working capital changes <i>(Increase)/decrease in current assets</i>		
Stores, spare parts and loose tools	(5,865,335)	(2,616,829)
Advances, deposits, prepayments and other receivables	(18,031,215)	(9,481,156)
Stock in trade	(28,153,916)	(133,626,559)
Trade debts - considered good	(154,228,542)	1,978,640
	(206,279,008)	(143,745,904)
<i>Increase/(decrease) in current liabilities</i>		
Trade and other payables	1,411,792	(29,358,434)
Cash generated from operations	272,911,343	158,906,932
Finance cost paid	(7,303,076)	(4,714,203)
Taxes paid	(78,520,084)	(13,295,790)
	(85,823,160)	(18,009,993)
Net cash generated from operating activities	187,088,183	140,896,939
Cash flow from investing activities		
Expenditures for property, plant and equipment	(114,460,112)	(129,976,688)
Proceeds from sale of property, plant and equipment	11,744,351	3,754,980
Mark-up on long term loan received	24,420,357	33,884,476
Dividend income, profit on bank deposits and commissions	395,055	13,291,451
Decrease in long term loan	150,000,000	40,000,000
Increase in long term deposits	-	(185,500)
Increase in short term investments - net	(207,386,677)	(95,608,382)
Net cash used in investing activities	(135,287,027)	(134,839,662)
Cash flow from financing activities		
Short term borrowings	121,336,220	110,736,965
Dividend paid	(210,335,103)	(121,153,282)
Net cash used in financing activities	(88,998,883)	(10,416,317)
Net decrease in cash and cash equivalents	(37,197,727)	(4,359,040)
Cash and cash equivalents at the beginning of the period	67,244,111	58,344,964
Cash and cash equivalents at the end of the period	30,046,384	53,985,924

The annexed notes from 1 to 16 form an integral part of this condensed interim financial information.

Lahore

Director

Chairperson & Chief Executive

**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE NINE MONTHS ENDED 31 MARCH 2014**

	Share capital	Capital reserve	Accumulated profit	Total
	Rupees			
Balance as at 01 July 2012	287,493,720	321,843	1,648,521,379	1,936,336,942
Profit after taxation	-	-	239,010,692	239,010,692
Transferred from surplus on revaluation of fixed assets on account of incremental depreciation	-	-	3,703,095	3,703,095
Total comprehensive income for the period	-	-	242,713,787	242,713,787
Transactions with owners:				
Final dividend for the year ended 30 June 2012 @ Rs. 4.25 per share	-	-	(129,372,174)	(129,372,174)
Bonus shares issued at 5 % for the year ended 30 June 2012	14,374,690	-	(14,374,690)	-
	14,374,690	-	(143,746,864)	(129,372,174)
Balance as at 31 March 2013	301,868,410	321,843	1,747,488,302	2,049,678,555
Balance as at 01 July 2013	301,868,410	321,843	1,918,841,956	2,221,032,209
Profit after taxation	-	-	325,874,638	325,874,638
Transferred from surplus on revaluation of fixed assets on account of incremental depreciation	-	-	4,177,851	4,177,851
on account of disposal of fixed assets	-	-	92,686	92,686
Total comprehensive income for the period	-	-	330,145,174	330,145,174
Transactions with owners:				
Final dividend for the year ended 30 June 2013 @ Rs. 7 per share	-	-	(211,307,887)	(211,307,887)
Interim dividend for the year ended 30 June 2014 @ Rs. 3 per share	-	-	(90,560,523)	(90,560,523)
	-	-	(301,868,410)	(301,868,410)
Balance as at 31 March 2014	301,868,410	321,843	1,947,118,720	2,249,308,973

The annexed notes from 1 to 16 form an integral part of this condensed interim financial information.

Lahore

Director

Chairperson & Chief Executive

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE NINE MONTHS ENDED 31 MARCH 2014**

1 Legal status and nature of business

Ferozsons Laboratories Limited ("the Company") was incorporated as a private limited company on 28 January 1954 and was converted into a public limited company on 08 September 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 and the factory is located at Amangarh, Nowshera, Khyber Pakthoon Khwa.

2 Basis of preparation

2.1 Statement of compliance

This condensed interim financial information is presented in accordance with the requirements of International Accounting Standard 34 "Interim Financial Reporting" and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions or directives issued under the Companies Ordinance, 1984 or directives issued by Securities and Exchange Commission of Pakistan (SECP) have been followed. This condensed interim financial information do not include all of the information required for annual financial statements, and should be read in conjunction with the financial statements of the Company as at and for the year ended 30 June 2013. Comparative figures of the balance sheet are extracted from the annual financial statements for the year ended 30 June 2013, whereas comparative profit and loss account, statement of comprehensive income, statement of changes in equity and statement of cash flows are stated from un-audited condensed interim financial information for the nine months period ended on 31 March 2013.

This condensed interim financial information is un-audited and is being submitted to the shareholders as required under Section 245 of the Companies Ordinance, 1984.

2.2 Significant accounting policies and estimates

The accounting policies and estimates adopted for the preparation of this condensed interim financial information is the same as those applied in preparation of financial statements for the year ended 30 June 2013.

	Un-Audited 31 March 2014	Audited 30 June 2013
	-----Rupees-----	
3 Issued, subscribed and paid up capital		
1,441,952 (30 June 2013: 1,441,952) ordinary shares of Rs. 10 each fully paid in cash	14,419,520	14,419,520
119,600 (30 June 2013: 119,600) ordinary shares of Rs. 10 each issued in lieu of NWF Industries Limited and Sargodha Oil and Flour Mills Limited since merged	1,196,000	1,196,000
28,625,289 (30 June 2013: 28,625,289) ordinary shares of Rs. 10 each issued as fully paid bonus shares	286,252,890	286,252,890
	<u>301,868,410</u>	<u>301,868,410</u>

	Un-Audited 31 March 2014	Audited 30 June 2013
-----Rupees-----		
4 Surplus on revaluation of property, plant and equipment - net of tax		
Opening balance	402,374,432	410,814,534
Surplus transferred to accumulated profit in respect of:		
Incremental depreciation charged during the period / year		
Net of deferred tax	(4,177,851)	(5,486,066)
Related deferred tax liability	(2,152,226)	(2,954,036)
	(6,330,077)	(8,440,102)
Surplus transferred to accumulated profit in respect of disposal of property, plant and equipment during the period / year:		
Net of deferred tax	(92,686)	-
Related deferred tax liability	(49,908)	-
	(142,594)	-
	395,901,762	402,374,432
Related deferred tax liability:		
On revaluation as at 1 July	(23,654,508)	(26,608,544)
Transferred to accumulated profit on account of:		
- disposal of property, plant and equipment during the period / year	49,908	-
- incremental depreciation charged during the period / year	2,152,226	2,954,036
	(21,452,374)	(23,654,508)
	<u>374,449,388</u>	<u>378,719,924</u>

5 Contingencies and commitments

Contingencies:

Guarantees issued by banks on behalf of the Company

Out of the aggregate facility of Rs.27 million (30 June 2013: Rs. 27 million) for letters of guarantee, the amount utilized at 31 March 2014 was Rs. 1.3 million (30 June 2013: Rs. 0.80 million).

Commitments:

Letters of credit

Out of the aggregate facility of Rs. 315 million (30 June 2013: Rs. 315 million) for opening letters of credit, the amount utilized at 31 March 2014 was Rs.118 million for other than capital expenditure and Rs. 3.5 million for capital expenditure (30 June 2013: other than capital expenditure:Rs. 46.81 million & capital expenditure: Rs.Nil)

Guarantees issued on behalf of the subsidiary company

Company has issued cross corporate guarantee to various commercial banks favouring its subsidiary company BF Biosciences Limited amounting to Rs. 275 million (30 June 2013: Rs. 275 million)

		Un-Audited 31 March 2014	Audited 30 June 2013
	Note	-----Rupees-----	
6 Property, plant and equipment			
Opening net book value		1,083,988,968	993,746,191
Additions during the period / year	6.1	114,460,112	168,296,751
		1,198,449,080	1,162,042,942
Written down value of disposals during the period / year		(907,260)	(1,883,676)
Depreciation for the period / year		(73,819,667)	(76,170,298)
		(74,726,927)	(78,053,974)
		1,123,722,154	1,083,988,968
6.1 Additions during the period / year			
Building on freehold land		3,172,635	49,831,506
Plant and machinery		2,683,489	60,551,545
Office equipments		4,204,205	2,150,411
Furniture and fixtures		1,273,458	149,889
Computers		1,858,625	2,351,043
Vehicles - owned		33,508,899	36,118,786
Capital work in progress - at cost		67,758,801	17,143,571
		114,460,112	168,296,751
7 Intangible assets			
Opening net book value		1,884,709	3,714,037
Amortisation during the period / year		(1,371,996)	(1,829,328)
Closing net book value		512,713	1,884,709
8 Long term investments			
Investment in Farmacia	8.1	76,668,982	72,732,116
Investment in BF Biosciences Limited	8.2	151,999,960	151,999,960
		228,668,942	224,732,076
8.1 Investment in Farmacia			
Opening balance		72,732,116	77,220,554
Share in profit/(loss) for the period / year		3,936,866	(4,488,438)
		76,668,982	72,732,116

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

8.2 Investment in BF Biosciences Limited

This represents investment made in 15,199,996 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.

9 Other receivables

This includes Rs. 2,925,198 (30 June 2013: Rs. 9,885,510) as receivables on account of expenses incurred on behalf of subsidiary BF Biosciences Limited.

		Un-Audited 31 March 2014	Audited 30 June 2013
	Note	-----Rupees-----	

10 Short term investments

Investments at fair value through profit or loss - listed securities	10.1	630,751,043	398,852,989
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10.1 Investments at fair value through profit or loss - listed securities

	Un-audited 31 March 2014	Audited 30 June 2013	Name of companies	Un-audited 31 March 2014		Audited 30 June 2013	
				Carrying	Fair value	Carrying value	Fair value
	No. of units			-----Rupees-----			
	6,100,929	1,263,586	HBL Money Market Fund	593,926,940	616,250,541	116,976,197	127,931,025
	139,460	2,634,203	HBL Income Fund	12,312,726	14,500,502	252,496,712	270,921,964
				606,239,666	630,751,043	369,472,909	398,852,989
Unrealised gain on account of re-measurement to fair value				24,511,377	-	29,380,080	-
				630,751,043	630,751,043	398,852,989	398,852,989

	For the nine months ended		For the three months ended	
	31 March 2014	31 March 2013	31 March 2014	31 March 2013

Note -----Rupees-----

11 Revenue - net

Gross sales	1,958,751,893	1,517,936,317	714,924,049	516,478,299
Less: Discount	(146,384,138)	(145,903,902)	(47,596,908)	(48,640,343)
	1,812,367,755	1,372,032,415	667,327,141	467,837,956

12 Cost of sales

Raw materials consumed	12.1 748,859,594	557,756,291	281,120,346	199,021,697
Other manufacturing expenses	159,849,265	130,825,289	61,860,258	50,759,864
	908,708,859	688,581,580	342,980,604	249,781,561

Work in progress:

Opening	23,733,370	23,928,962	38,310,930	31,741,309
Closing	(28,392,857)	(35,573,454)	(28,392,857)	(35,573,454)
	(4,659,487)	(11,644,492)	9,918,073	(3,832,145)

Cost of goods manufactured	904,049,372	676,937,088	352,898,677	245,949,416
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Finished stock:

Opening	273,111,967	173,564,705	278,166,318	201,411,130
Closing	(320,458,197)	(243,269,028)	(320,458,197)	(243,269,028)
	(47,346,230)	(69,704,323)	(42,291,879)	(41,857,898)
	856,703,142	607,232,765	310,606,798	204,091,517

12.1 Raw materials consumed

Opening	254,880,083	215,118,157	251,193,284	201,359,177
Add: Purchases during the period	712,334,037	562,965,058	248,281,588	217,989,443
	967,214,120	778,083,215	499,474,872	419,348,620
Less: Closing	(218,354,526)	(220,326,924)	(218,354,526)	(220,326,924)
	748,859,594	557,756,291	281,120,346	199,021,696

	For the nine months ended		For the three months ended	
	31 March 2014	31 March 2013	31 March 2014	31 March 2013
-----Rupees-----				
13 Taxation				
Current	127,677,263	113,365,341	49,701,873	34,961,526
Deferred	(111,207)	(9,253,263)	2,749,279	(3,270,401)
	<u>127,566,056</u>	<u>104,112,078</u>	<u>52,451,152</u>	<u>31,691,125</u>

14 Transactions with related parties

The related parties include associated companies, contributory provident fund, major shareholders, directors and key management personnel. Balances with the related parties are shown elsewhere in the accounts. Transactions with related parties during the period are as follows:

	Un-Audited 31 March 2014	Un-Audited 31 March 2013
-----Rupees-----		

Farmacia - 98% owned partnership firm

Sale of medicines	1,595,268	2,759,830
Share in profit	3,936,866	5,833,514

BF Biosciences Limited - 80% owned subsidiary company

Long term loan and mark up payment	174,420,357	73,884,476
Sale of medicine to subsidiary	95,080,667	41,504,375
Sale of medicine by subsidiary	3,162,383	3,957,887
Accrued mark up on long term loan	6,532,892	8,509,225
Management fee and expenses for sales promotion	1,203,281	4,773,270

Other related parties

Contribution to employee provident fund	11,493,710	9,036,710
Remuneration including benefits and perquisites of key management personnel	53,618,637	37,818,000

15 Date of authorization for issue

This condensed interim financial information has been authorized for issue by the board of directors of the Company on 21 April 2014.

16 General

The figures have been rounded off to the nearest rupee and rearranged wherever necessary for the purpose of comparison.

Lahore

Director

Chairperson & Chief Executive



***Condensed Interim
Consolidated Financial
Information for the
Quarter/Nine Months
Ended 31 March 2014***



CONDENSED INTERIM CONSOLIDATED BALANCE

		Un-Audited 31 March 2014	Audited 30 June 2013
Note	-----Rupees-----		
EQUITY AND LIABILITIES			
Share capital and reserves			
	Authorized share capital 50,000,000 (30 June 2013: 50,000,000) ordinary shares of Rs. 10 each	<u>500,000,000</u>	<u>500,000,000</u>
	Issued, subscribed and paid up capital	4 301,868,410	301,868,410
	Capital reserve	321,843	321,843
	Accumulated profit	<u>2,170,886,507</u>	2,061,029,564
		2,473,076,760	2,363,219,817
	Non-controlling interest	<u>92,723,213</u>	72,090,498
		2,565,799,973	2,435,310,315
	Surplus on revaluation of property, plant and equipment - net of tax	5 374,449,388	378,719,924
	Non current liabilities		
	Deferred taxation	89,120,918	64,932,160
	Current liabilities		
	Trade and other payables	519,003,431	385,502,736
	Short term borrowings - secured	125,601,894	1,241,992
		644,605,325	386,744,728
	Contingencies and commitments	6	
		<u>3,673,975,604</u>	<u>3,265,707,127</u>

The annexed notes from 1 to 15 form an integral part of this condensed interim consolidated financial information.

SHEET AS AT 31 MARCH 2014

		Un-Audited 31 March 2014	Audited 30 June 2013
	Note	-----Rupees-----	
ASSETS			
Non-current assets			
Property, plant and equipment	7	1,538,617,073	1,518,791,709
Intangible assets	8	1,505,573	1,884,709
Long term deposits		7,758,100	7,733,100
		1,547,880,746	1,528,409,518
Current assets			
Stores, spare parts and loose tools		30,444,110	19,552,661
Stock in trade		781,349,802	846,906,085
Trade debts - considered good		439,208,403	206,232,139
Loans and advances - considered good		47,797,266	18,010,264
Deposits and prepayments		53,873,183	46,290,743
Income tax - net		23,556,914	72,357,631
Other receivables		5,650,122	7,412,959
Short term investments	9	670,898,517	413,499,520
Cash and bank balances		73,316,541	107,035,607
		2,126,094,858	1,737,297,609
		3,673,975,604	3,265,707,127

Director

Chairperson & Chief Executive

**CONDENSED INTERIM CONSOLIDATED
 PROFIT AND LOSS ACCOUNT (UN-AUDITED)
 FOR THE QUARTER / NINE MONTHS ENDED 31 MARCH 2014**

	Note	For the nine months ended		For the three months ended	
		31 March 2014	31 March 2013	31 March 2014	31 March 2013
-----Rupees-----					
Revenue - net	10	2,802,187,185	2,039,876,011	954,865,306	693,461,169
Cost of sales	11	(1,440,400,647)	(991,546,270)	(467,464,504)	(334,607,295)
Gross profit		1,361,786,538	1,048,329,740	487,400,802	358,853,875
Other income		50,284,733	39,762,997	23,524,257	8,836,913
Administrative expenses		(136,973,463)	(124,768,665)	(45,176,067)	(42,820,230)
Selling and distribution costs		(596,131,442)	(502,050,997)	(196,774,357)	(169,372,495)
Finance costs		(12,272,539)	(8,944,759)	(4,364,362)	(5,061,431)
Other expenses		(58,371,291)	(35,136,197)	(20,158,421)	(10,215,120)
Profit before taxation		608,322,536	417,192,119	244,451,852	140,221,513
Taxation	12	(180,235,004)	(123,421,654)	(66,996,838)	(40,841,602)
Profit after taxation		428,087,532	293,770,466	177,455,014	99,379,911
Attributable to:					
Shareholders of the Holding company		407,454,817	283,246,043	169,594,639	95,386,643
Non-controlling interest		20,632,715	10,524,423	7,860,375	3,993,268
		428,087,532	293,770,466	177,455,014	99,379,911
Earnings per share - basic and diluted		13.50	9.38	5.62	3.16

The annexed notes from 1 to 15 form an integral part of this condensed interim consolidated financial information.

Lahore

Director

Chairperson & Chief Executive

**CONDENSED INTERIM CONSOLIDATED
 STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
 FOR THE QUARTER / NINE MONTHS ENDED 31 MARCH 2014**

	For the nine months ended		For the three months ended	
	31 March 2014	31 March 2013	31 March 2014	31 March 2013
	-----Rupees-----			
Profit after taxation	428,087,532	293,770,466	177,455,014	99,379,911
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	<u>428,087,532</u>	<u>293,770,466</u>	<u>177,455,014</u>	<u>99,379,911</u>
Attributable to:				
Shareholders of the Holding company	407,454,817	283,246,043	169,594,639	95,386,644
Non-controlling interest	<u>20,632,715</u>	<u>10,524,423</u>	<u>7,860,375</u>	<u>3,993,268</u>
	<u>428,087,532</u>	<u>293,770,466</u>	<u>177,455,014</u>	<u>99,379,911</u>

The annexed notes from 1 to 15 form an integral part of this condensed interim consolidated financial information.

Lahore

Director

Chairperson & Chief Executive

**CONDENSED INTERIM CONSOLIDATED
CASH FLOW STATEMENT (UN-AUDITED)
FOR THE NINE MONTHS ENDED 31 MARCH 2014**

	Un-Audited 31 March 2014	Un-Audited 31 March 2013
	-----Rupees-----	
Cash flow from operating activities		
Profit before taxation	608,322,536	417,192,119
Adjustments for:		
Depreciation	130,182,446	106,211,397
Amortisation	1,698,551	1,371,996
Gain on sale of property, plant and equipment	(11,395,641)	(3,718,745)
Finance costs	12,272,539	8,944,759
Gain on re-measurement of short term investments	(25,457,408)	(21,928,306)
Dividend income, profit on bank deposits and commissions	(13,431,685)	(14,115,945)
	<u>93,868,802</u>	<u>76,765,156</u>
Cash generated from operations before working capital changes	702,191,338	493,957,275
Effect on cash flow due to working capital changes		
<i>(Increase)/decrease in current assets</i>		
Stores, spare parts and loose tools	(10,891,448)	(10,930,175)
Advances, deposits, prepayments and other receivables	(35,606,605)	(29,742,751)
Stock in trade	65,556,283	(290,456,646)
Trade debts - considered good	(232,976,264)	123,866,556
	<u>(213,918,034)</u>	<u>(207,263,016)</u>
<i>Increase/(decrease) in current liabilities</i>		
Trade and other payables	41,912,474	(140,234,055)
	<u>41,912,474</u>	<u>(140,234,055)</u>
Cash generated from operations	530,185,778	146,460,205
Finance cost paid	(12,272,539)	(8,699,539)
Taxes paid	(107,245,529)	(30,240,423)
	<u>(119,518,068)</u>	<u>(38,939,962)</u>
Net cash generated from operating activities	410,667,710	107,520,243
Cash flow from investing activities		
Purchase of property, plant and equipment	(152,863,425)	(149,667,124)
Proceeds from sale of property, plant and equipment	12,931,841	4,416,587
Dividend income, profit on bank deposits and commissions received	13,431,685	14,115,946
Long term deposit	(25,000)	(185,500)
Increase in short term investments - net	(231,886,676)	(25,608,382)
	<u>(358,411,575)</u>	<u>(156,928,473)</u>
Net cash used in investing activities	(358,411,575)	(156,928,473)
Cash flow from financing activities		
Short term borrowings	124,359,902	144,943,273
Dividend paid	(210,335,103)	(121,153,282)
	<u>(85,975,201)</u>	<u>23,789,991</u>
Net cash used in /generated from financing activities	(85,975,201)	23,789,991
Net decrease in cash and cash equivalents	(33,719,066)	(25,618,240)
Cash and cash equivalents at the beginning of the period	107,035,607	97,617,923
Cash and cash equivalents at the end of the period	73,316,541	71,999,683

The annexed notes from 1 to 15 form an integral part of this condensed interim consolidated financial information.

Lahore

Director

Chairperson & Chief Executive

**CONDENSED INTERIM CONSOLIDATED
STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE NINE MONTHS ENDED 31 MARCH 2014**

	Share capital	Capital reserve	Accumulated profit	Total	Non-controlling interest	Total
	-----Rupees-----					
Balance as at 01 July 2012	287,493,720	321,843	1,744,227,890	2,032,043,453	60,773,274	2,092,816,727
Profit after taxation	-	-	283,246,043	283,246,043	10,524,423	293,770,466
Transferred from surplus on revaluation of fixed assets on account of incremental depreciation	-	-	3,703,095	3,703,095	-	3,703,095
Total comprehensive income for the period	-	-	286,949,138	286,949,138	10,524,423	297,473,561
Transactions with owners:						
Final dividend for the year ended 30 June 2012 @ Rs. 4.25 per share	-	-	(129,372,174)	(129,372,174)	-	(129,372,174)
Bonus shares issued at 5 % for the year ended 30 June 2012	14,374,690	-	(14,374,690)	-	-	-
	14,374,690	-	(143,746,864)	(129,372,174)	-	(129,372,174)
Balance as at 31 March 2013	301,868,410	321,843	1,887,430,164	2,189,620,417	71,297,697	2,260,918,114
Balance as at 01 July 2013	301,868,410	321,843	2,061,029,564	2,363,219,817	72,090,498	2,435,310,315
Profit after taxation	-	-	407,454,817	407,454,817	20,632,715	428,087,532
Transferred from surplus on revaluation of fixed assets on account of disposal of fixed assets	-	-	92,686	92,686	-	92,686
on account of incremental depreciation	-	-	4,177,851	4,177,851	-	4,177,851
Total comprehensive income for the period	-	-	411,725,353	411,725,353	20,632,715	432,358,068
Transactions with owners:						
Final dividend for the year ended 30 June 2013 @ Rs. 7 per share	-	-	(211,307,887)	(211,307,887)	-	(211,307,887)
Interim dividend for the year ended 30 June 2014 @ Rs. 3 per share	-	-	(90,560,523)	(90,560,523)	-	(90,560,523)
	-	-	(301,868,410)	(301,868,410)	-	(301,868,410)
Balance as at 31 March 2014	301,868,410	321,843	2,170,886,507	2,473,076,760	92,723,213	2,565,799,973

The annexed notes from 1 to 15 form an integral part of this condensed interim consolidated financial information.

Lahore

Director

Chairperson & Chief Executive

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED
FINANCIAL INFORMATION (UN-AUDITED)
FOR THE NINE MONTHS ENDED 31 MARCH 2014**

1 The Group and its operation

Ferozsons Laboratories Limited ("the Holding Company") was incorporated as a private limited company on 28 January 1954 and was converted into a public limited company on 08 September 1960. The Company is listed on 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 and the factory is located at Amangarh, Nowshera, Khyber Pakhtoon khwa.

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

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

2 Basis of consolidation

These consolidated financial information includes the financial statements of Ferozsons Laboratories Limited and its subsidiaries – BF Biosciences Limited and Farmacia ("hereinafter referred as the Group").

Subsidiaries are those entities, including an unincorporated entities such as a partnership that are controlled by another entity (known as the parent). The financial statements of the subsidiaries are included in the consolidated financial information from the date the control commences, until the date when that control ceases. The financial statements of the subsidiaries have been consolidated on line by line basis. Details of the subsidiaries are given in note 1.

All material inter-organization balances, transactions and resulting unrealized profits / losses have been eliminated.

3 Basis of preparation

3.1 Statement of compliance

This condensed interim consolidated financial information is presented in accordance with the requirements of International Accounting Standard 34 "Interim Financial Reporting" and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions or directives issued under the Companies Ordinance, 1984 or directives issued by Securities and Exchange Commission of Pakistan (SECP) have been followed. This condensed interim consolidated financial information do not include all of the information required for annual financial statements, and should be read in conjunction with the financial statements of the Company as at and for the year ended 30 June 2013. Comparative figures of the balance sheet are extracted from the annual financial statements for the year ended 30 June 2013, whereas comparative profit and loss account, statement of comprehensive income, statement of changes in equity and statement of cash flows are stated from un-audited condensed interim consolidated financial information for the nine months period ended on 31 March 2013.

The condensed interim consolidated financial information is un-audited and is being submitted to the shareholders as required under Section 245 of the Companies Ordinance, 1984.

3.2 Significant accounting policies and estimates

The accounting policies and estimates adopted for the preparation of these condensed interim financial information is the same as those applied in preparation of financial statements for the year ended 30 June 2013.

	Un-Audited 31 March 2014	Audited 30 June 2013
-----Rupees-----		
4 Issued, subscribed and paid up capital		
1,441,952 (30 June 2013: 1,441,952) ordinary shares of Rs. 10 each fully paid in cash	14,419,520	14,419,520
119,600 (30 June 2013: 119,600) ordinary shares of Rs. 10 each issued in lieu of NWF Industries Limited and Sargodha Oil and Flour Mills Limited since merged	1,196,000	1,196,000
28,625,289 (30 June 2013: 28,625,289) ordinary shares of Rs. 10 each issued as fully paid bonus shares	286,252,890	286,252,890
	<u>301,868,410</u>	<u>301,868,410</u>
5 Surplus on revaluation of property, plant and equipment - net of tax		
Opening balance	402,374,432	410,814,534
Surplus transferred to accumulated profit in respect of:		
Incremental depreciation charged during the period / year		
Net of deferred tax	(4,177,851)	(5,486,066)
Related deferred tax liability	(2,152,226)	(2,954,036)
	(6,330,077)	(8,440,102)
Surplus transferred to accumulated profit in respect of disposal of property, plant and equipment during the period / year:		
Net of deferred tax	(92,686)	-
Related deferred tax liability	(49,908)	-
	(142,594)	-
	395,901,762	402,374,432
Related deferred tax liability:		
On revaluation as at 1 July		
Transferred to accumulated profit on account of -disposal of property, plant and equipment during the period / year	(23,654,508)	(26,608,544)
-incremental depreciation charged during the period / year	49,908	-
	2,152,226	2,954,036
	(21,452,374)	(23,654,508)
	<u>374,449,388</u>	<u>378,719,924</u>

6 Contingencies and commitments

Contingencies:

Guarantees issued by banks on behalf of the Company

Out of the aggregate facility of Rs.117 million (30 June 2013: Rs. 92 million) for letter of guarantees, the amount utilized at 31 March 2014 was Rs.29.3 million (30 June 2013: Rs. 47.8 million).

Commitments

Letter of credits

“Out of the aggregate facility of Rs. 465 million (30 June 2013: Rs. 440 million) for opening letters of credit, the amount utilized at 31 March 2014 was Rs. 210 million for other than capital expenditure and Rs.21.5 million for capital expenditure (30 June 2013: other than capital expenditure: Rs. 51.81 million & capital expenditure: Rs.Nil).

Guarantees issued on behalf of the subsidiary company

Company has issued cross corporate guarantee to various commercial banks favouring its subsidiary company BF Biosciences Limited amounting to Rs. 275 million (30 June 2013: Rs. 275 million)

		Un-Audited 31 March 2014	Audited 30 June 2013
	Note	-----Rupees-----	
7 Property, plant and equipment			
Opening net book value		1,518,791,709	1,479,534,613
Additions during the period / year	7.1	151,544,010	189,902,552
		1,670,335,719	1,669,437,165
Written down value of disposals during the period / year		(1,536,200)	(2,118,383)
Depreciation for the period / year		(130,182,446)	(148,527,073)
		(131,718,646)	(150,645,456)
		<u>1,538,617,073</u>	<u>1,518,791,709</u>
7.1 Additions during the period / year			
Building on freehold land		3,172,635	49,831,506
Plant and machinery		9,995,552	61,796,395
Office equipments		4,878,949	3,634,631
Furniture and fixtures		1,304,590	404,019
Computers		2,021,934	2,647,423
Vehicles - owned		57,083,135	51,234,092
Capital work in progress - at cost		73,087,215	20,354,486
		<u>151,544,010</u>	<u>189,902,552</u>
8 Intangible assets			
Opening net book value		1,884,709	3,714,037
Additions during the period / year		1,319,415	-
Amortisation during the period / year		(1,698,551)	(1,829,328)
Closing net book value		<u>1,505,573</u>	<u>1,884,709</u>

	Un-Audited 31 March 2014	Audited 30 June 2013
Note	-----Rupees-----	
9 Short term investments		
Investments at fair value through profit or loss - listed securities	9.1 670,898,517	413,499,520

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

No. of units	Name of companies	Un-audited 31 March 2014		Audited 30 June 2013	
		Carrying	Fair value	Carrying value	Fair value
6,368,872	HBL Money Market Fund	619,854,203	642,353,644	117,870,246	128,858,288
139,460	HBL Income Fund	12,312,726	14,500,502	252,496,711	270,921,964
69,305	ABL Cash Fund	652,870	707,784	1,052,600	1,152,870
131,021	Faysal Money Market Fund	12,500,000	13,336,587	12,500,000	12,566,398
		645,319,799	670,898,517	383,919,557	413,499,520
	Unrealised gain on account of re-measurement to fair value	25,578,718	-	29,579,963	-
		670,898,517	670,898,517	413,499,520	413,499,520

Note	For the nine months ended		For the three months ended	
	31 March 2014	31 March 2013	31 March 2014	31 March 2013
	-----Rupees-----			

10 Revenue - net				
Gross sales	3,040,753,936	2,325,849,209	1,036,676,275	788,499,131
Discount	(238,566,751)	(285,973,198)	(81,810,969)	(95,037,961)
	2,802,187,185	2,039,876,011	954,865,306	693,461,169
11 Cost of sales				
Materials consumed	11.1 1,009,735,249	699,957,513	371,696,240	275,746,031
Manufacturing expenses	346,774,761	266,302,830	120,239,787	98,913,264
	1,356,510,010	966,260,343	491,936,027	374,659,295
Work in progress:				
Opening balance	94,418,678	57,088,668	101,382,198	133,726,979
Closing balance	(96,148,157)	(150,772,177)	(96,148,157)	(150,772,177)
	(1,729,479)	(93,683,509)	5,234,041	(17,045,198)
Cost of goods manufactured	1,354,780,532	872,576,834	497,170,068	357,614,097
Finished stock:				
Opening balance	425,048,851	263,156,413	346,533,107	297,895,428
Purchases during the period	50,637,721	267,158,798	13,827,786	90,443,545
Closing balance	(390,066,457)	(411,345,775)	(390,066,457)	(411,345,775)
	85,620,115	118,969,436	(29,705,564)	(23,006,802)
	1,440,400,647	991,546,270	467,464,504	334,607,295
11.1 Materials consumed				
Opening balance	310,046,452	255,682,554	301,889,011	248,867,576
Purchases during the period	964,265,858	702,701,333	334,384,289	285,304,829
	1,274,312,309	958,383,887	636,273,300	534,172,405
Closing balance	(264,577,060)	(258,426,374)	(264,577,060)	(258,426,374)
	1,009,735,249	699,957,513	371,696,240	275,746,031

	For the nine months ended		For the three months ended	
	31 March 2014	31 March 2013	31 March 2014	31 March 2013
-----Rupees-----				
12 Taxation				
Current	156,606,835	120,809,426	67,072,694	36,846,771
Prior years'	(560,589)	-	-	-
Deferred	24,188,758	2,612,227	(75,856)	3,994,830
	<u>180,235,004</u>	<u>123,421,654</u>	<u>66,996,838</u>	<u>40,841,602</u>

13 Transactions with related parties

The related parties include associated companies, contributory provident fund, major shareholders, directors and key management personnel. Balances with the related parties are shown elsewhere in the accounts. Transactions with related parties during the period are as follows:

	Un-Audited 31 March 2014	Un-Audited 31 March 2013
-----Rupees-----		
Other related parties		
Company's share in employees provident fund	14,342,549	11,273,670
Remuneration including benefits and perquisites of key management personnel	61,540,920	44,548,437

14 Date of authorization

This condensed interim consolidated financial information has been authorized for issue by the board of directors of the Company on 21 April 2014.

15 General

The figures have been rounded off to the nearest rupee and rearranged wherever necessary for the purpose of comparison.

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



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