



***Condensed Interim
Unconsolidated
Financial Information
for the Quarter/Six Months
Ended December 31, 2010***



FEROZSONS
LABORATORIES LIMITED

DIRECTORS' REVIEW OF THE FINANCIAL INFORMATION FOR THE QUARTER & HALF YEAR ENDED DECEMBER 31, 2010

We are pleased to present your Company's individual and consolidated financial information for the six months & quarter ended December 31, 2010. This condensed interim financial information is un-audited and is being submitted to share holders as required by Section 245 of the Companies Ordinance, 1984. This has been prepared in accordance with the requirements of the International Accounting Standard 34 "Interim Financial Reporting" as applicable in Pakistan. The consolidated financial information incorporate the Company's 98% owned Farmacia retail venture, as well as its subsidiary BF Biosciences Limited.

Your Company's Individual and Consolidated Financial Results

A summary of the operating results for the year and appropriation of the divisible profits is given below:

	Individual				Consolidated			
	3 Months 31-Dec-10	3 Months 31-Dec-09	6 Months 31-Dec-10	6 Months 31-Dec-09	3 Months 31-Dec-10	3 Months 31-Dec-09	6 Months 31-Dec-10	6 Months 31-Dec-09
	(Rupees in thousands)							
Sales (net)	337,409	327,626	648,893	625,664	461,918	392,846	860,693	738,599
Gross Profit	204,246	155,932	359,603	298,621	274,372	172,388	482,916	335,897
Profit before tax	115,802	74,305	198,632	162,361	133,547	50,997	229,399	124,585
Taxation	(13,101)	(20,718)	(13,239)	(45,088)	(16,573)	(21,385)	(17,513)	(46,494)
Profit after tax	102,702	53,587	185,393	117,273	116,975	29,612	211,885	78,091

Net Sales of your Company witnessed an increase of 15.20% for the 2nd Quarter under review in comparison with the same quarter last year, whereas the net sales of 6 months showed an increase of 3.71% in comparison with the same period last year. On the other hand consolidated net sales including BF Biosciences Limited and Farmacia showed an increase of 17.58% for the 2nd quarter and 16.53% for the six months ending December 31, 2010 in comparison with the Sales for the same period of last year.

As mentioned in the previous quarter's report, last year's sales figures included residual sales of your company's Biotech product range, which were in the process of being transferred to its Subsidiary Company, BF Biosciences Limited, and are now separately part of the BF Biosciences portfolio and therefore not reflected in the current year's sales. Consolidated sales, which include the sales captured in the BF Biosciences portfolio, thus show a clearer picture of actual sales performance of the Company's group sales.

Our core pharmaceuticals business grew by 37% during the Quarter under review, and by 23% over the six month period ended December 31, 2010. We hope to build further on this improved momentum during the coming two Quarters and complete the year on a strong note. We are also pleased to inform our Shareholders that the national ranking of your company as per IMS Statistics improved by 3 places in the Quarter, a reflection of our improved performance versus the competition.

At the same time, the Boston Scientific business has also improved, growing by 3% for the Quarter. Owing to a poor Q1, the growth for the Six Months under review remained negative at -9%. However, on the basis of significant orders already received from key institutions, we are confident that this business will improve further in the coming quarters.

The cost of sales of your Company showed a very nominal increase of 0.86% during the 2nd quarter and a decrease of 11.54% overall during the six months ended December 31, 2010. The resulting increase in GP mainly represents the decrease in share of Biotech and Boston sales, which carry a lower GP margin.

Profit Before Tax of your Company increased by 55% during the Quarter over the same period of last year and 22.34% in six month in comparison with same periods of last year. Similarly the consolidated Profit before Tax showed an increase of 15.93% and 9.79% in ratio terms respectively for 2nd quarter and six months ended December 31, 2010.

Net Profit after Tax (NPAT) increased by 10.86% in 2nd Quarter and by 9.83% in six months ended December 31, 2010 in comparison with the same periods last year, thus stood at Rs. 102.7 Million and Rs. 185.3 Million respectively.

Based on the net profit for the six months ended December 31, 2010, the Earnings per Share (EPS), both basic and diluted, stand at 7.4 compared to EPS of Rs. 4.69 of same respective period of last year, on the enhanced capital of Rs. 249.994 Million after the issuance of bonus share during the quarter.

BF Biosciences Limited Operational Status

Allhamdulillah, your company's subsidiary, BF Biosciences Limited is now not only fully operational, but has achieved notable success in its market entry. Peg-INF, the first new product launched by BF Biosciences at the end of August, has achieved the number 1 rank amongst new launches in the Pakistan market as per IMS Statistics. We are glad to report that we have also made a successful entry into the bulk tender market for interferon.

Net Sales of BF Biosciences were Rs. 165 Million For the Quarter (up 97% against the same Period last year), and Rs. 262 Million for the Six Months under review (up 67% against last year). Owing to local production, gross profitability has also increased substantially to Rs. 108 Million for the half-year, against Rs. 44 Million achieved during the year ended June 30, 2010.

We are hopeful that this new venture will reach new heights in the hepatology and oncology fields, with more products to be launched in the coming year.

Future Outlook

Economic uncertainty, severe energy shortages, and a worsening security environment continue to plague Pakistan's industrial sector. These problems are further compounded for the pharmaceutical industry, which faces the additional burden of an irrational regulatory environment. For over ten years, the Ministry of Health has been unable to provide a transparent pricing formula that applies to all and takes into account the rising cost of inputs for domestic manufacturers. This has resulted in an adhoc decision-making process that is severely detrimental for growth and investment in this sector, as evidenced by the closure of several manufacturers.

At the same time the devolution of the Ministry of Health has opened up another Pandora's box for the industry. While it is still unclear exactly how this will be carried out, we sincerely hope the Federal Government retains the pricing and registration functions, and constitutes an independent, professionally staffed Drug Regulatory Authority along the lines of the FDA and EU authorities, so that a long-term framework that promotes quality, and a rational pricing mechanism protects both the industry and the consumer, can finally be achieved.

Acknowledgments

We are once again privileged 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 customers 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 also thank our distributors, vendors and financial institutions for their extended cooperation.

For and on behalf of the Board of Directors

(Mrs. Akhter Khalid Waheed)
Chairperson & CEO

Auditors' Report to the Members on Review of Interim Financial Information

Introduction

We have reviewed the accompanying condensed interim unconsolidated balance sheet of Ferozsons Laboratories Limited ("the Company") as at December 31, 2010 and the related condensed interim unconsolidated profit and loss account, condensed interim unconsolidated statement of comprehensive income, condensed interim unconsolidated cash flow statement, condensed interim unconsolidated statement of changes in equity and notes to the accounts for the six months period then ended (interim financial information). Management is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan for Interim Financial Reporting. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for Interim Financial Reporting.

The figures for the three months period ended December 31, 2010, in the condensed interim unconsolidated profit and loss account and condensed interim unconsolidated statement of comprehensive income have not been reviewed and we do not express a conclusion on them.

Islamabad

KPMG Taseer Hadi & Co.
Chartered Accountants
Engagement Partner: Riaz Akbar Ali Pesnani

CONDENSED INTERIM UNCONSOLIDATED BALANCE

		December 31, 2010 Un-Audited (Rupees)	June 30, 2010 Audited (Rupees)
SHARE CAPITAL AND RESERVES			
Share capital	4	249,994,543	208,328,786
Capital reserve		321,843	321,843
Revenue reserve		<u>1,213,568,570</u>	<u>1,067,114,429</u>
		1,463,884,956	1,275,765,058
Surplus on revaluation of fixed assets - net of tax		239,293,955	242,020,812
NON CURRENT LIABILITIES			
Long term financing - secured	5	14,187,500	42,562,500
Deferred liability for taxation		65,078,981	58,329,176
		79,266,481	100,891,676
Derivative liability - interest rate swap		45,981	140,174
CURRENT LIABILITIES			
Trade and other payables		162,942,903	154,732,360
Accrued markup of long term financing		2,971,394	1,634,970
Current portion of long term financing	5	56,750,000	56,750,000
Current maturity of liabilities against assets subject to finance lease		-	475,003
Short term borrowing		-	36,528,049
		222,664,297	250,120,382
		<u>2,005,155,670</u>	<u>1,868,938,102</u>
CONTINGENCIES AND COMMITMENTS	6	-	-

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

Rawalpindi
February 22, 2011

SHEET AS AT DECEMBER 31, 2010

		December 31, 2010 Un-Audited (Rupees)	June 30, 2010 Audited (Rupees)
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	7	728,402,593	742,280,446
Long term investments		227,958,302	222,813,836
Long term loan	8	371,875,000	425,000,000
Long term deposits		1,043,400	1,053,400
CURRENT ASSETS			
Stores, spare parts and loose tools		9,502,446	4,640,630
Stock in trade		328,743,115	296,402,640
Trade debts - unsecured, considered good	9	124,438,085	45,215,438
Current portion of long term loan	8	53,125,000	-
Loans and advances - considered good		11,869,631	13,228,405
Deposits and prepayments		14,479,779	11,129,809
Interest accrued from related party		14,858,000	-
Advance income tax - net		86,879,021	81,090,608
Other receivables	10	893,775	1,100,901
Other financial assets		13,470,259	9,714,907
Cash and bank balances		17,617,264	15,267,082
		675,876,375	477,790,420
		<u>2,005,155,670</u>	<u>1,868,938,102</u>

Director

Chairperson & CEO

**CONDENSED INTERIM UNCONSOLIDATED
 PROFIT AND LOSS ACCOUNT (UN-AUDITED)
 FOR THE SIX MONTHS ENDED DECEMBER 31, 2010**

		Three months ended December 31, 2010 (Rupees)	Three months ended December 31, 2009 (Rupees)	Six months ended December 31, 2010 (Rupees)	Six months ended December 31, 2009 (Rupees)
Sales- net		377,409,081	327,626,046	648,893,414	625,664,119
Cost of sales	11	(173,162,795)	(171,694,492)	(289,290,581)	(327,043,574)
Gross profit		204,246,286	155,931,554	359,602,833	298,620,545
Other operating income		22,636,796	3,668,708	40,125,277	21,630,209
Administrative expenses		(29,951,734)	(19,687,608)	(53,417,252)	(40,686,434)
Selling and distribution expenses		(74,008,976)	(59,407,765)	(131,557,113)	(106,407,225)
Finance cost		(4,577,098)	(527,816)	(7,586,871)	(1,249,476)
Other charges		(5,932,141)	(8,010,279)	(13,712,645)	(13,638,765)
Share in profit of Farmacia - 98% owned partnership firm		3,389,352	2,338,421	5,177,551	4,092,006
Profit before taxation		115,802,485	74,305,215	198,631,780	162,360,860
Taxation	12	(13,100,713)	(20,718,483)	(13,238,739)	(45,088,047)
Profit after taxation		102,701,772	53,586,732	185,393,041	117,272,813
Earnings per share - basic and diluted		4.10	2.14	7.40	4.69

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

Rawalpindi
 February 22, 2011

Director

Chairperson & CEO

**CONDENSED INTERIM UNCONSOLIDATED
 STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
 FOR THE SIX MONTHS ENDED DECEMBER 31, 2010**

	Three months ended December 31, 2010 (Rupees)	Three months ended December 31, 2009 (Rupees)	Six months ended December 31, 2010 (Rupees)	Six months ended December 31, 2009 (Rupees)
Profit after tax	102,701,772	53,586,732	185,393,041	117,272,813
Other comprehensive income				
Transfer from surplus on revaluation of fixed assets	2,097,583	1,592,860	4,195,165	3,185,720
Income tax on other comprehensive income	(734,154)	(557,501)	(1,468,308)	(1,115,002)
Other comprehensive income for the period net of tax	1,363,429	1,035,359	2,726,857	2,070,718
Total comprehensive income	104,065,201	54,622,091	188,119,898	119,343,531

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

Rawalpindi
 February 22, 2011

Director

Chairperson & CEO

**CONDENSED INTERIM UNCONSOLIDATED
CASH FLOW STATEMENT (UN-AUDITED)
FOR THE SIX MONTHS ENDED DECEMBER 31, 2010**

	Six months ended December 31,2010 (Rupees)	Six months ended December 31,2009 (Rupees)
Cash flow from operating activities		
Profit before taxation	198,631,780	162,360,860
Adjustment for:		
Depreciation	30,317,541	24,853,775
Gain on disposal of property, plant and equipment	(482,384)	(1,290,664)
Finance cost	7,586,871	1,182,855
Dividends and interest income from investments, deposits and loan	(35,592,186)	(17,713,233)
Provision for Workers' (Profit) Participation Fund	8,352,079	7,513,871
Provision for Workers' Welfare Fund	3,340,832	4,510,286
Provision for Workers' Central Research Fund	1,986,649	1,623,609
Gain on remeasurement of short term investments to fair value	(3,755,352)	(2,626,312)
(Gain)/loss on fair value adjustment of interest rate swap	(295,355)	66,621
Long term investment written off	33,085	-
Share in profit of Farmacia - 98% owned subsidiary firm	(5,177,551)	(4,092,006)
	<u>6,314,228</u>	<u>14,028,802</u>
	204,946,008	176,389,662
Changes in:		
Stock in trade and stores, spare parts and loose tools	(37,202,291)	(29,360,361)
Trade debts	(79,222,647)	(119,713,421)
Loans, advances, deposits, prepayments and other receivables	(1,774,070)	1,971,408
Trade and other payables	13,166,146	53,823,319
	<u>(105,032,862)</u>	<u>(93,279,055)</u>
Cash generated from operations	99,913,147	83,110,607
Finance cost paid	(6,250,447)	(12,045,699)
Income taxes paid	(12,277,346)	(31,167,062)
Payment to Workers' (Profit) Participation Fund	(15,105,721)	(12,891,516)
Payment to Workers' Welfare Fund	-	(3,418,759)
Payment to Central Research Fund	(3,344,013)	-
	<u>(36,977,527)</u>	<u>(59,523,036)</u>
Net cash generated from operating activities	62,935,620	23,587,571
Cash flow from investing activities		
Mark up on long term loan received	14,858,000	-
Purchase of property, plant and equipment	(17,940,055)	(33,194,073)
Proceeds from sale of property, plant and equipment	1,982,750	2,002,301
Purchase of short term investments	-	(5,108,593)
Proceeds from sale of short term investments	-	35,674,730
Dividends and interest from investments and deposits	6,171,541	8,660,927
	<u>5,072,236</u>	<u>8,035,292</u>
Net cash from investing activities	5,072,236	8,035,292
Cash flow from financing activities		
Payment of finance lease liabilities	(475,003)	(473,809)
Short term borrowing	(36,528,049)	-
Repayment of long term financing	(28,375,000)	(28,375,000)
Dividend paid	(279,622)	(16,753,356)
	<u>(65,657,674)</u>	<u>(45,602,165)</u>
Net cash used in financing activities	(65,657,674)	(45,602,165)
Net increase/ (decrease) in cash and cash equivalents during the period	2,350,182	(13,979,302)
Cash and cash equivalents at the beginning of the period	15,267,082	22,283,007
Cash and cash equivalents at the end of the period	<u>17,617,264</u>	<u>8,303,705</u>

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

Rawalpindi

February 22, 2011

Director

Chairperson & CEO

**CONDENSED INTERIM UNCONSOLIDATED
STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE SIX MONTHS ENDED DECEMBER 31, 2010**

	Share capital (Rupees)	Capital reserve (Rupees)	Revenue reserve Unappropriated profit (Rupees)	Total equity (Rupees)
Balance at July 01, 2009	173,607,322	321,843	796,200,236	970,129,401
Total Comprehensive income for the period				
Profit for the period	-	-	117,272,813	117,272,813
Other Comprehensive income				
Transfer from surplus on revaluation of fixed assets Net income recognized directly in equity	-	-	2,070,718	2,070,718
Total other comprehensive income for the period	-	-	2,070,718	2,070,718
Total comprehensive income for the period	-	-	119,343,531	119,343,531
Transaction with owners recorded directly in equity				
Final dividend for the year ended June 30, 2009 Rs.1 per share	-	-	(17,360,732)	(17,360,732)
Bonus shares issued at 20% for the year ended June 30, 2009	34,721,464	-	(34,721,464)	-
Total Transactions with owners	34,721,464	-	(52,082,196)	(17,360,732)
Balance at December 31, 2009	208,328,786	321,843	863,461,571	1,072,112,200
Balance at July 01, 2010	208,328,786	321,843	1,087,114,429	1,275,765,058
Total Comprehensive income for the period				
Profit for the period	-	-	185,393,041	185,393,041
Other Comprehensive income				
Transfer from surplus on revaluation of fixed assets Net income recognized directly in equity	-	-	2,726,857	2,726,857
Total other comprehensive income for the period	-	-	2,726,857	2,726,857
Total comprehensive income for the period	-	-	188,119,898	188,119,898
Transaction with owners recorded directly in equity				
Bonus shares issued at 20% for the year ended June 30, 2010	41,665,757	-	(41,665,757)	-
Total Transactions with owners	41,665,757	-	(41,665,757)	-
Balance at December 31, 2010	249,994,543	321,843	1,213,568,570	1,463,884,956

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

Rawalpindi
February 22, 2011

Director

Chairperson & CEO

**NOTES TO THE CONDENSED INTERIM
UNCONSOLIDATED FINANCIAL INFORMATION (UN-AUDITED)
FOR THE SIX MONTHS ENDED DECEMBER 31, 2010**

1. THE COMPANY AND ITS OPERATIONS

Ferozsons Laboratories Limited (“the Company”) was incorporated as a private limited company on 28th January 1954 and was converted into a public limited company on 8th 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 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 AND STATEMENT OF COMPLIANCE

This condensed interim unconsolidated financial information has been prepared in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. The disclosures in the condensed interim unconsolidated financial information do not include the information reported for full annual financial statements and should therefore be read in conjunction with the financial statements for the year ended June 30, 2010. Comparative balance sheet is extracted from annual financial statements as of June 30, 2010 whereas comparative profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity are stated from unaudited condensed interim unconsolidated financial information for the six months ended December 31, 2009.

The condensed interim unconsolidated financial information is unaudited and is being submitted to the shareholders as required under Section 245 of the Companies Ordinance, 1984.

3. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

The accounting policies and estimates applied by the Company for the preparation of this condensed interim unconsolidated financial information are the same as those applied by the Company in preparation of annual financial statements for the year ended 30 June 2010.

4. SHARE CAPITAL

During the six months ended December 31, 2010 the Company issued 4,166,575 ordinary shares (31 December 2009: 3,472,147) of Rs. 10 each as fully paid bonus shares.

5. LONG TERM FINANCING - Secured

The Company has obtained a long term finance facility from Habib Bank Limited to finance its 80% owned subsidiary, BF Biosciences Limited. The facility is secured by first charge on all present and future moveable assets of the Company (25% margin) ranking pari passu with the existing first charge holders to the extent of Rs. 370 million and first, equitable mortgage charge over land and building of the Company's Nowshera plant ranking pari passu with existing first charge holders to the extent of Rs. 370 million.

During the six months ended December 31, 2010 the Company made repayments towards principal amounting to Rs. 28.375 million (31 December 2009: Rs. 28.375 million) whereas repayments of Rs. 56.75 million are due within next twelve months.

6. CONTINGENCIES AND COMMITMENTS

There is no change in the contingent liability as reported in the annual financial statements for the year ended June 30, 2010.

Commitments for capital expenditure and letters of credit issued by banks on behalf of the Company amount to Rs. 9.85 million (June 30, 2010: Rs. 13.98 million) and Rs. 76.52 (June 30, 2010, 2009: Rs. 28.07 million) respectively.

7. PROPERTY, PLANT AND EQUIPMENT

During the six months ended December 31, 2010 the Company acquired property, plant and equipment aggregating Rs. 17.94 million (December 31, 2009: Rs. 33.19 million). During the six months ended December 31, 2010 assets with the carrying value of Rs. 1.5 million (December 31, 2009: Rs. 25.06 million) were disposed off.

8. LONG TERM LOAN

This represents the restructuring in form of further investment by converting the overall outstanding term loan, overdue markup and trade receivables of BF Biosciences Limited, into a Term Loan. This restructuring was carried out under the authority of a special resolution passed by the shareholders in the extraordinary general meeting held on June 14, 2010, in accordance with the provisions of Section 208 of the Companies Ordinance, 1984. The loan is recoverable within a period of five years or earlier as and when required by the Company with a grace period of one year starting from July 01, 2010. Markup is charged on the loan at the rate not less than the borrowing cost of the Company.

Principal repayments amounting Rs. 53.125 million (December 31, 2009: Rs. 56.75 million) are due within next twelve months.

9. TRADE DEBTS - UNSECURED, CONSIDERED GOOD

These include Rs. 55.3 million (June 30, 2010: Rs. 3.72 million) due from BF Biosciences Limited.

10. OTHER RECEIVABLES

These include Rs. 164,423 (June 30, 2010: Rs. 453,937) and Rs. 437,348 (June 30, 2010: Rs. 435,248) receivable from BF Biosciences Limited and Farmacia, respectively, on account of expenses incurred on behalf of these subsidiaries.

11. COST OF SALES

	Note	Three months ended December 31, 2010 (Rupees)	Three months ended December 31, 2009 (Rupees)	Six months ended December 31, 2010 (Rupees)	Six months ended December 31, 2009 (Rupees)
Material consumed	11.1	154,299,106	182,487,260	254,678,546	301,025,835
Manufacturing expenses		34,009,488	29,288,534	62,218,653	54,601,599
Opening work in process		9,732,870	11,955,640	9,069,289	7,791,792
		<u>198,041,464</u>	<u>223,731,434</u>	<u>325,966,488</u>	<u>363,419,226</u>
Less: closing work in process		(16,633,514)	(12,829,495)	(16,633,514)	(12,829,495)
Cost of goods manufactured		<u>181,407,950</u>	<u>210,901,939</u>	<u>309,332,974</u>	<u>350,589,731</u>
Add: opening finished goods		149,853,801	107,853,600	138,056,563	123,514,890
		<u>331,261,751</u>	<u>318,755,539</u>	<u>447,389,537</u>	<u>474,104,621</u>
Less: closing finished goods		(158,098,956)	(147,061,047)	(158,098,956)	(147,061,047)
Cost of sales		<u><u>173,162,795</u></u>	<u><u>171,694,492</u></u>	<u><u>289,290,581</u></u>	<u><u>327,043,574</u></u>

11.1 Material consumed

Opening stock	141,115,695	127,614,332	138,107,999	134,222,613
Add: Purchases during the period	<u>151,852,311</u>	<u>171,437,851</u>	<u>255,239,447</u>	<u>283,368,145</u>
	<u>292,968,006</u>	<u>299,052,183</u>	<u>393,347,446</u>	<u>417,590,758</u>
Less: closing stock	(138,668,900)	(116,564,923)	(138,668,900)	(116,564,923)
	<u><u>154,299,106</u></u>	<u><u>182,487,260</u></u>	<u><u>254,678,546</u></u>	<u><u>301,025,835</u></u>

12. TAXATION

	Note	Six months ended December 31, 2010 (Rupees)	Six months ended December 31, 2009 (Rupees)
Curren		6,488,934	42,903,519
Deferred	12.1	6,749,805	2,184,528
		<u>13,238,739</u>	<u>45,088,047</u>

12.1 Pursuant to the clause 126F in Part-I of the Second Schedule of Income Tax Ordinance 2001 (the Ordinance) through the Finance Act 2010, the income of the Company is exempt from tax for three years commencing from the tax year 2010. Accordingly the Company has not provided any normal tax liability on its taxable income. However, minimum tax under section 113 of the Ordinance has been provided for in this condensed interim financial information.

13. TRANSACTIONS WITH RELATED PARTIES

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

	Six months ended December 31, 2010 (Rupees)	Six months ended December 31, 2009 (Rupees)
Farmacina-98% owned subsidiary firm		
Advance received for supply of good	-	4,632,729
Sale of medicines	1,833,068	17,414,629
Payment received against sale of medicines	236,547	-
Expenses incurred on behalf of subsidiary	2,100	-
Share of profit reinvested	5,177,551	4,092,006
BF Biosciences Limited-80% owned subsidiary		
Markup on long term loan	29,716,000	12,932,185
Markup on long term loan received	14,858,000	-
Amount of capital work in progress transferred by the Company	-	23,401,241
Sale of medicines	51,583,249	101,243,171
Expenses incurred on behalf of subsidiary	1,254,258	-
Other related parties		
Contribution to employees provident fund	2,076,713	2,563,948
Remuneration including benefits and perquisites of key management personnel	21,316,320	22,091,290

14. NON ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors of the Company in their meeting held on February 22, 2011 have proposed interim cash dividend of Rs. 1.25 per share.

15. DATE OF AUTHORIZATION

The condensed interim unconsolidated financial information was authorized for issue by the Board of Directors or the Company in their meeting held on February 22, 2011.

16. GENERAL

Figures in the condensed interim unconsolidated financial information have been rounded off to the nearest rupee.

Rawalpindi
February 22, 2011

Director

Chairperson & CEO



***Condensed Interim
Consolidated Financial
Information for the
Quarter/Six Months
Ended December 31, 2010***



FEROZSONS
LABORATORIES LIMITED

CONDENSED INTERIM CONSOLIDATED BALANCE

		December 31, 2010 Un-Audited (Rupees)	June 30, 2010 Audited (Rupees)
SHARE CAPITAL AND RESERVES			
Share capital	3	249,994,543	208,328,786
Reserves			
Capital reserve		321,843	321,843
Revenue reserve - unappropriated profit		1,174,670,071	1,007,224,346
		<u>1,424,986,457</u>	<u>1,215,874,975</u>
Minority interest		29,972,648	24,472,022
Total equity		<u>1,454,959,106</u>	<u>1,240,346,997</u>
Surplus on revaluation of fixed assets - net of tax	4	239,293,955	242,020,812
NON CURRENT LIABILITIES			
Long term financing - secured	5	32,875,000	79,937,500
Liabilities against assets subject to finance lease		-	-
Deferred liability for taxation		65,078,981	58,329,177
		<u>97,953,981</u>	<u>138,266,677</u>
Derivative liability - interest rate swap		45,981	140,174
CURRENT LIABILITIES			
Trade and other payables		262,543,583	226,805,532
Short term borrowings - secured		-	36,528,049
Accrued markup of long term financing		3,968,153	3,306,950
Current portion of long term financing	5	94,125,000	94,125,000
Current maturity of liabilities against assets subject to finance lease		-	475,004
Provision for taxation - net		-	-
		<u>360,636,736</u>	<u>361,240,535</u>
		<u>2,152,889,758</u>	<u>1,982,015,195</u>
CONTINGENCIES AND COMMITMENTS	10	-	-

The annexed notes 1 to 13 form an integral part of these financial statements.

Rawalpindi
February 22, 2011

SHEET AS AT DECEMBER 31, 2010

	Note	December 31, 2010 Un-Audited (Rupees)	June 30, 2010 Audited (Rupees)
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	6	1,276,771,422	1,294,926,905
Long term investment			33,085
Long term deposits		5,013,900	5,444,100
CURRENT ASSETS			
Stores, spares and loose tools		9,502,445	4,640,630
Stock in trade		508,664,469	389,994,805
Trade debts-considered good		135,677,662	74,110,069
Loans and advances-considered good		17,478,288	27,822,383
Deposits and prepayments		20,759,281	11,612,557
Advance income tax - net		107,564,237	97,011,481
Other receivables		893,775	211,716
Other financial assets	7	23,470,259	19,714,907
Cash and bank balances		47,094,020	56,492,557
		871,104,436	681,611,105
		2,152,889,758	1,982,015,195

Director

Chairperson & CEO

**CONDENSED INTERIM CONSOLIDATED
 PROFIT AND LOSS ACCOUNT (UN-AUDITED)
 FOR THE SIX MONTHS ENDED DECEMBER 31, 2010**

		Three months ended December 31, 2010 (Rupees)	Three months ended December 31, 2009 (Rupees)	Six months ended December 31, 2010 (Rupees)	Six months ended December 31, 2009 (Rupees)
	Note				
Net sales		461,458,640	392,845,916	860,234,452	738,598,811
Cost of sales	8	(187,086,625)	(220,457,434)	(377,318,764)	(402,701,835)
Gross profit		274,372,015	172,388,482	482,915,688	335,896,976
Other income		8,527,767	4,975,010	12,102,198	23,492,273
Administrative expenses		(31,071,467)	(21,340,218)	(55,297,253)	(47,776,978)
Selling and distribution cost		(104,153,939)	(85,242,905)	(182,596,038)	(151,120,504)
Finance cost		(6,385,114)	(12,107,271)	(12,203,719)	(22,268,207)
Other expenses		(7,741,818)	(7,676,555)	(15,522,322)	(13,638,744)
Profit before taxation		133,547,446	50,996,543	229,398,556	124,584,816
Provision for taxation		(16,572,678)	(21,384,768)	(17,513,304)	(46,494,105)
Profit after taxation		116,974,768	29,611,775	211,885,251	78,090,711
Attributable to:					
Shareholders of the parent company		113,947,179	34,378,994	206,384,625	85,860,327
Minority interest		3,027,589	(4,767,219)	5,500,626	(7,769,616)
		116,974,768	29,611,775	211,885,251	78,090,711

The annexed notes 1 to 13 form an integral part of these financial statements.

Rawalpindi
 February 22, 2011

Director

Chairperson & CEO

**CONDENSED INTERIM CONSOLIDATED
 STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
 FOR THE SIX MONTHS ENDED DECEMBER 31, 2010**

	Three months ended December 31, 2010 (Rupees)	Three months ended December 31, 2009 (Rupees)	Six months ended December 31, 2010 (Rupees)	Six months ended December 31, 2009 (Rupees)
Profit after tax	116,974,768	29,611,775	211,885,251	78,090,711
Other comprehensive income				
Transfer from surplus on revaluation of fixed assets recognized directly in equity	2,097,583	1,592,860	4,195,165	3,185,720
Income tax on other comprehensive income	(734,154)	(557,501)	(1,468,308)	(1,115,002)
Other comprehensive income for the period net of tax	1,363,429	1,035,359	2,726,857	2,070,718
Total comprehensive income for the period	118,338,197	30,647,134	214,612,109	80,161,429

The annexed notes 1 to 13 form an integral part of these financial statements.

Rawalpindi
 February 22, 2011

Director

Chairperson & CEO

**CONDENSED INTERIM CONSOLIDATED
CASH FLOW STATEMENT (UN-AUDITED)
FOR THE SIX MONTHS ENDED DECEMBER 31, 2010**

	Six months ended December 31, 2010 (Rupees)	Six months ended December 31, 2009 (Rupees)
Cash flow from operating activities		
Profit before taxation	229,398,556	124,584,816
Adjustments for:		
Depreciation	61,407,887	54,346,219
Gain on disposal of property, plant and equipment	(482,384)	(1,289,745)
Finance cost	12,203,719	21,510,143
Dividends, capital gains and income from investments and deposits	(7,864,462)	(19,576,216)
(Gain)/loss on remeasurement of short term investments	(3,755,352)	(2,626,312)
Write off long term investment	33,085	
Loss on fair value adjustment of interest rate swap	-	758,064
	<u>61,542,493</u>	<u>53,122,153</u>
	290,941,049	177,706,969
Working capital changes		
Increase in stocks and stores	(123,531,480)	(66,519,688)
Increase in trade debtors	(61,567,579)	(56,299,684)
Increase in loans, advances, deposits, prepayments and other receivables	945,512	(3,137,897)
Increase in trade and other payables	35,923,480	74,938,579
	<u>(148,230,067)</u>	<u>(51,018,690)</u>
Cash generated from operations	142,710,982	126,688,279
Finance cost paid	(11,542,528)	(24,359,655)
Taxes paid	(21,316,256)	(34,659,506)
	<u>(32,858,198)</u>	<u>(59,019,161)</u>
Net cash from operating activities	109,852,198	67,669,118
Cash flows from investing activities		
Purchase of property, plant and equipment	(44,752,771)	(100,560,471)
Purchase of short term investments	-	(5,108,593)
Sale proceeds from short term investments	-	65,812,950
Dividends, capital gains and income from investments and deposits	7,864,462	13,500,925
Sale proceeds of property, plant and equipment	1,982,750	2,015,301
Net cash used in investing activities	(34,905,559)	(24,339,888)
Cash flows from financing activities		
Payment of finance lease liabilities	(475,003)	(473,809)
Proceeds from short term financing	(36,528,049)	(548,554)
Repayment of long term financing	(47,062,500)	(47,062,500)
Dividend paid	(279,624)	(16,753,356)
Net cash (used in)/from financing activities	(84,345,176)	(64,838,219)
Net decrease in cash and cash equivalents during the period	(9,398,537)	(21,508,989)
Cash and cash equivalents at beginning of the period	56,492,557	45,743,760
Cash and cash equivalents at end of the period	<u>47,094,020</u>	<u>24,234,771</u>

The annexed notes 1 to 13 form an integral part of these financial statements.

Rawalpindi

February 22, 2011

Director

Chairperson & CEO

**CONDENSED INTERIM CONSOLIDATED
STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE SIX MONTHS ENDED DECEMBER 31, 2010**

	Share capital (Rupees)	Capital reserve (Rupees)	Revenue reserve Unappropriated profit (Rupees)	Total (Rupees)	Minority Interest (Rupees)	Total (Rupees)
Balance as at July 01, 2009	173,607,322	321,843	795,036,930	968,966,095	38,990,296	1,007,956,391
Total Comprehensive income for the period						
Profit for the period after taxation	-	-	85,860,327	85,860,327	(7,769,617)	78,090,710
Other Comprehensive income						
Transfer from surplus on revaluation of fixed assets						
Net income recognized directly in equity	-	-	2,070,718	2,070,718	-	2,070,718
Total other comprehensive income for the period			2,070,718	2,070,718	-	2,070,718
Total comprehensive income for the period			87,931,045	87,931,045	(7,769,617)	80,161,428
Distribution to owners						
Minority share capital contribution in Subsidiary Co (BF Biosciences Ltd.)	-	-	-	-	-	-
Final dividend for the year ended June 30, 2009 Re. 1.00 per share	-	-	(17,360,732)	(17,360,732)	-	(17,360,732)
Bonus shares issued at 20% for the year ended June 30, 2009	34,721,464	-	(34,721,464)	-	-	-
Total Transactions with owners	34,721,464	-	(52,082,196)	(17,360,732)	-	(17,360,732)
Balance as at December 10, 2009	<u>208,328,786</u>	<u>321,843</u>	<u>830,885,779</u>	<u>1,039,536,408</u>	<u>31,220,679</u>	<u>1,070,757,087</u>
Balance as at July 01, 2010	208,328,786	321,843	1,007,224,346	1,215,874,975	24,472,022	1,240,346,997
Total Comprehensive income for the period						
Profit for the period after taxation	-	-	206,384,625	206,384,625	5,500,626	211,885,251
Other Comprehensive income						
Transfer from surplus on revaluation of fixed assets						
Net income recognized directly in equity	-	-	2,726,857	2,726,857	-	2,726,857
Total other comprehensive income for the period			2,726,857	2,726,857	-	2,726,857
Total comprehensive income for the period			209,111,482	209,111,482	5,500,626	214,612,109
Distribution to owners						
Final dividend for the year ended June 30, 2009 Rs. Nil per share	-	-	-	-	-	-
Bonus shares issued at 20% for the year ended June 30, 2010	41,665,757	-	(41,665,757)	-	-	-
Total Transactions with owners	41,665,757	-	(41,665,757)	-	-	-
Balance as at December 31, 2010	<u>249,994,543</u>	<u>321,843</u>	<u>1,174,670,071</u>	<u>1,424,986,457</u>	<u>29,972,648</u>	<u>1,454,959,106</u>

The annexed notes 1 to 13 form an integral part of these financial statements.

Rawalpindi
February 22, 2011

Director

Chairperson & CEO

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED
FINANCIAL INFORMATION (UN-AUDITED)
FOR THE SIX MONTHS ENDED DECEMBER 31, 2010**

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 are un-audited and are being submitted to the shareholders in accordance with the requirements of Section 245 of the Companies Ordinance, 1984. These financial statements are presented in condensed form in accordance with the requirements of International Accounting Standard 34: Interim Financial Reporting. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the financial statements of the Company as at and for the year ended June 30, 2010. Comparative figures of the balance sheet are extracted from the annual financial statements for the year ended June 30, 2010 whereas comparative profit and loss account, statement of changes in equity and statement of cash flows are stated from un-audited condensed interim financial statements for the six months period ended December 31, 2010.

2.2 Except as described below, the accounting policies and estimates adopted for the preparation of these condensed interim financial statements are the same as those applied in preparation of financial statements for the preceding year ended June 30, 2010.

2.2.1 The Company applies revised IAS 1 “Presentation of Financial Statements”, which became effective as of January 01, 2009. As a result, the Company presents in the statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the statement of comprehensive income. This presentation has been applied in these condensed interim financial statements as of and for the six months period ended on December 31, 2010.

2.3 Comparative information has been re-presented so that it also is in conformity with the revised standard. Since the changes in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

	December 31 2010 (Rupees)	June 30, 2010 (Rupees)
3. SHARE CAPITAL		
Authorized share capital	<u>250,000,000</u>	<u>250,000,000</u>
Issued, subscribed and paid up capital	<u>249,994,543</u>	<u>208,328,786</u>
4. SURPLUS ON REVALUATION OF FIXED ASSETS-net of tax		
Surplus on revaluation of fixed assets as at 01 July.	267,331,843	275,722,172
Surplus transferred to unappropriated profit in respect of incremental depreciation charged during the year:		
- Net of deferred tax	(2,726,857)	(5,453,714)
- Related deferred tax liability	(1,468,308)	(2,936,615)
	<u>(4,195,165)</u>	<u>(8,390,329)</u>
Surplus on revaluation of fixed assets as at 31 March	263,136,678	267,331,843
Related deferred tax liability:		
- On Revaluation as at 01 July	(25,311,031)	(28,247,646)
- Transferred to profit and loss account		
Incremental depreciation charged during the year	1,468,308	2,936,615
	<u>(23,842,723)</u>	<u>(25,311,031)</u>
	<u>239,293,955</u>	<u>242,020,812</u>
5. LONG TERM FINANCING - secured		
Opening balance	174,062,500	268,187,500
Add. Disbursements during the period/year	-	-
	<u>174,062,500</u>	<u>268,187,500</u>
Less: Repayments during the period/year	(47,062,500)	(94,125,000)
	<u>127,000,000</u>	<u>174,062,500</u>
Less: Current portion shown under current liabilities	(94,125,000)	(94,125,000)
	<u>32,875,000</u>	<u>79,937,500</u>

The Parent Company has entered into a pay fix, receive variable interest rate swap agreement with a bank to hedge the interest rate exposure on the long term financing from HBL at notional amount of Rs. 275 million. As per the terms of the agreement the company will pay fix interest rate @ 12.8% p.a. to the bank and will receive 3 months PKR KIBOR. Effective period of swap is from July 25, 2007 till July 25, 2011. This swap agreement arrangement does not qualify for hedge accounting under the requirements of International Accounting Standard - 39 "Financial Instruments: Recognition and Measurement". Accordingly, this has been measured at its fair value as at the balance sheet date and resultant loss of Rs. 1.1 million has been recognized in the profit and loss account.

	December 31 2010 Note (Rupees)	June 30, 2010 (Rupees)
6. PROPERTY, PLANT AND EQUIPMENT		
Opening net book value	1,294,926,905	1,273,098,467
Add:		
Additions during the period/year	6.1 44,752,771	158,898,207
Less:		
Written down value of disposals	(1,500,367)	(28,406,268)
Depreciation	(61,407,887)	(108,663,501)
	<u>(62,908,254)</u>	<u>(137,069,769)</u>
	<u>1,276,771,422</u>	<u>1,294,926,905</u>
6.1 Additions during the period/year represents:		
Freehold land	-	2,000,000
Building on freehold land	405,643	47,034,286
Plant and machinery	11,570,909	32,916,366
Office equipments	2,239,175	4,857,513
Furniture and fixtures	363,361	722,218
Computers	1,500,325	1,757,248
Vehicles-owned	7,191,300	23,527,932
Capital work in progress	21,482,058	46,082,643
	<u>44,752,771</u>	<u>158,898,207</u>
7. SHORT TERM INVESTMENTS		
Held to maturity investments - local currency	10,000,000	10,000,000
Investments at fair value through profit or loss - listed securities	7.1 13,470,259	9,714,907
	<u>23,470,259</u>	<u>19,714,907</u>

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

Number of shares		Name of Companies	December 31, 2010 (Rupees)		June 30, 2010 (Rupees)	
December 2010	June 2010		Carrying value	Fair value	Carrying value	Fair value
25,000	25,000	Pakistan National Shipping Corporation Ordinary shares of Rs. 10 each	997,250	948,750	1,154,000	997,250
155,755	155,755	Bank Alfalah Ltd Ordinary shares of Rs. 10 each	1,473,442	1,746,014	1,643,215	1,473,442
415,000	415,000	PICIC-Growth Fund Ordinary shares of Rs. 10 each	3,842,900	5,498,750	4,069,526	3,842,900
7,000	7,000	Pakistan Oilfields.Ltd. Ordinary shares of Rs. 10 each	1,511,300	2,071,720	1,658,604	1,511,300
500,004	500,004	PICIC-IF Ordinary Shares of Rs.10 each	1,890,015	3,205,026	2,817,622	1,890,015
			<u>9,714,907</u>	<u>13,470,259</u>	11,342,967	9,714,907
		Unrealised Gain / (loss)on account of remeasurement to fair value	3,755,352	-	(1,628,060)	-
			<u>13,470,259</u>	<u>13,470,259</u>	9,714,907	9,714,907

7.2 Held to maturity investment

This represents investment in term deposit receipts having maturity of three months which carries interest rate of 14.50% per annum.

8 COST OF SALES

Note	Three months ended	Three months ended	Six months ended	Six months ended
	December 31, 2010 (Rupees)	December 31, 2009 (Rupees)	December 31, 2010 (Rupees)	December 31, 2009 (Rupees)
Material consumed	8.1 163,654,733	221,129,227	339,418,991	365,401,044
Manufacturing expenses	67,593,613	53,217,381	126,124,932	100,547,507
Opening work in process	40,146,773	11,955,640	9,069,289	7,791,792
	<u>271,395,119</u>	<u>286,302,248</u>	<u>474,613,211</u>	<u>473,740,343</u>
Less: closing work in process	(49,893,019)	(12,829,495)	(49,893,019)	(12,829,495)
Cost of goods manufactured	221,502,100	273,472,753	424,720,193	460,910,848
Add: opening finished goods	215,724,389	136,645,119	202,738,436	131,451,425
	<u>437,226,490</u>	<u>410,117,872</u>	<u>627,458,629</u>	<u>592,362,273</u>
Less: closing finished goods	(250,139,865)	(189,660,438)	(253,139,865)	(189,660,438)
Cost of sales	<u>187,086,625</u>	<u>220,457,434</u>	<u>377,318,764</u>	<u>402,701,835</u>
8.1 Material consumed				
Opening stock	177,148,417	127,614,332	164,529,561	134,222,613
Add: purchases during the period	168,812,392	210,079,818	357,195,505	347,743,354
	<u>345,960,809</u>	<u>337,694,150</u>	<u>521,725,066</u>	<u>481,965,967</u>
Less: closing stock	(182,306,076)	(116,564,923)	(182,306,076)	(116,564,923)
	<u>163,654,733</u>	<u>221,129,227</u>	<u>349,418,991</u>	<u>365,401,044</u>

9. TRANSACTIONS WITH RELATED PARTIES

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

	Six months ended December 31, 2010 (Rupees)	Six months ended December 31, 2009 (Rupees)
Other related parties		
Contribution to employee provident fund	4,549,969	3,685,419

10. CONTINGENCIES AND COMMITMENTS	December 31, 2010 (Rupees)	June 30, 2010 (Rupees)
Contingencies:		
i Guarantees issued by banks on behalf of the company	13,755,640	13,755,640
Commitments:		
ii Capital Expenditure	9,853,442	46,703,730
iii Letter of credits other than for capital expenditure	115,862,709	23,370,273

11. NON ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors of the parent Company in their meeting held on February 22, 2011 have proposed interim cash dividend of Rs. 1.25 per share.

12. GENERAL

Figures have been rounded off to the nearest rupee.

13. DATE OF AUTHORIZATION

The financial statements have been authorized for issue by the board of directors or the Company on **February 22, 2011**.

Rawalpindi
February 22, 2011

Director

Chairperson & CEO

PEOPLE
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US

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



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