

Safeway Mutual Fund Limited

Managed by Safeway Fund Limited

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General Information

Name of Company

Safeway Mutual Fund Limited

Legal Status

Public limited company incorporated in Pakistan in May 1994 under the Companies Ordinance, 1984

Stock Exchange Listing

The ordinary shares of the Company are listed with the Karachi & Islamabad Stock Exchanges

Registered Office

Standard Tower, 6th Floor,
10-B, Block E-2, Gulberg III, Lahore

Website

www.safewayfund.com

Company Registration No.

K - 05334

National Tax Number (NTN)

0698204-2

Investment Advisor

Safeway Fund Limited

Custodian

Central Depository Company of Pakistan Limited

Board of Directors

Mr. Anjum M. Saleem (Chairman)

Mr. M. Naeem Baig (CEO)

Mr. Latif Khawar

Mr. M. Saad Thaniana

Mr. M. Amin

Ms. Tehmeena Khan

Mr. M. Awais Qureshi

Chief Investment Officer

Mr. Nihal Cassim

Internal Auditors

Anjum Asim Shahid Rahman,
Chartered Accountants

Audit Committee

Mr. M. Saad Thaniana (Chairman)

Mr. M. Amin

Mr. M. Awais Qureshi

External Auditors

A.F. Ferguson & Co., Chartered Accountants

Chief Financial Officer

Mr. Latif Khawar, Email: latif.khawar@safewayfund.com

Company Secretary & Compliance Officer

Ms. Tehmeena Khan, Email: tehmeena.khan@safewayfund.com

Share Registrar

Corptech Associates (Pvt.) Limited
Standard Tower, 6th Floor,
10-B, Block E-2, Gulberg III, Lahore.

Bankers

Bank Alfalah Limited

MCB Bank Limited

Soneri Bank Limited

Legal Advisors

Ahmed & Qazi

Credit Rating Agency

JCR - VIS Credit Rating Company

Contact Us

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Directors' Report

The Directors of Safeway Mutual Fund Limited are pleased to present the reviewed half year financial statements of the Company for the quarter and the six months ended December 31st, 2008.

Financial and Operating Performance

The first half of the financial year was characterized by a decidedly bearish market trend which may be attributed to continuing political uncertainty combined with an unpromising economic outlook both locally and internationally. The KSE 100 index fell 26% from 12,289 on June 30, 2008 to 9,144 on August 27, 2008, the date when the KSE imposed a floor on the KSE 100. After almost three and a half months of minimal trading activity, the floor was removed on December 15, 2008 through a Securities and Exchange Commission of Pakistan (SECP) directive and the KSE 100 closed at 5,865 on December 31, 2008, an overall decline of 52.25% from June 30, 2008. The pressure on the CFS MK II Financing System built up during this period and the Non Broker Financiers eventually opted for a settlement of their liabilities as at December 31, 2008 through a Voluntary Square Up Program facilitated by the Ministry of Finance.

These unprecedented circumstances resulted in a relatively low level of trading activity and a generally poor performance across the industry. The performance of your Fund for the quarter and six months ended December 31 2008 is as follows:-

Rupees in Thousands	October to December		July to December	
	2008	2007	2008	2007
Income	(138,013)	40,073	(283,956)	68,093
Operating expenses	(4,052)	(6,762)	(9,196)	(13,047)
	(142,065)	33,311	(293,152)	55,046
Finance cost	(35)	(1)	(36)	(3)
Profit/(Loss) before tax	(142,100)	33,310	(293,188)	55,043
Taxation	-	-	-	-
Profit/(Loss) after tax	(142,100)	33,310	(293,188)	55,043
Earnings/(Loss) Per Share	(2.61)	0.61	(5.38)	1.01

A more detailed analysis of the performance of the Fund is discussed in the Fund Manager's Report on Fund Performance. This report has been reviewed by the Board of Directors and forms an integral part of this Directors' Report.

Impairment

As more fully explained in note 3, the investments in equity securities classified as available for sale have been valued at prices quoted on the Karachi Stock Exchange as of December 31, 2008 and the resulting deficit arising therefrom has been disclosed under the head "Unrealised loss on remeasurement of investments classified as available for sale" in equity. Had the company followed the requirements of IAS 39, an amount of Rs. 53.493 million would have been recognized as impairment loss in the profit and loss account. This would have resulted in a decrease in the above deficit by Rs. 53.493 million with a corresponding increase in the loss for the period and the loss per share would have been higher by Rs. 0.98.

During the period, the Karachi Stock Exchange (Guarantee) Limited ("KSE") placed a "Floor Mechanism" on the market value of securities based on the closing prices of securities prevailing as on August 27, 2008. Under the "Floor Mechanism", the individual security price of equity securities could vary within the normal circuit breaker limit, but not below the floor price level. The mechanism was effective from August 28, 2008. Consequent to the introduction of the above measures by the KSE, the market volume declined significantly. The "Floor Mechanism" was subsequently removed by the KSE on December 15, 2008 in order to rationalise the prices of equity securities. Subsequent to the removal of the "Floor Mechanism" the KSE 100 index declined from 9,187.10 points at December 15, 2008 to 5,865.01 points at December 31, 2008 and the market remained generally inactive during this period due to low trading volumes.

In view of the above circumstances, a clarification was sought from the Securities and Exchange Commission of Pakistan on whether the prices quoted on the stock exchange as at December 31, 2008 could be considered as the fair value of such securities at that date. The Securities and Exchange Commission of Pakistan vide its circular No. En/I-D/III/Misc/1/2008 dated January 29, 2009 has clarified that the market price as quoted on the stock exchange on December 31, 2008 may be used as the fair value of securities as of that date for the purpose of preparation of financial statements for the period ended December 31, 2008. Accordingly, equity securities have been valued at the market prices as quoted on the stock exchange on December 31, 2008.

As at December 31, 2008, deficit arising on revaluation of investments classified as available for sale amounting to Rs 53.493 million should have been charged to the profit and loss account as impairment loss in accordance with the requirements of IAS 39. However, the Securities and Exchange Commission of Pakistan (SECP), vide its SRO 150(I)/2009 dated February 13, 2009 has given an option to companies and mutual funds to either follow the requirements of IAS 39 and charge the impairment loss to the profit and loss account or to show this impairment loss under equity as per the following allowed alternative treatment:



- The impairment loss, if any, recognized as on December 31, 2008 due to valuation of listed equity investments held as “available for sale” to quoted market prices of December 31, 2008 may be shown under “Equity”,
- The amount taken to equity as specified above, including any adjustment/effect for price movements during the quarter of calendar year 2009 shall be taken to Profit and loss account on quarterly basis during the calendar year ending on December 31, 2009,
- The amount taken to equity as specified above shall be treated as a charge to Profit and loss account for the purposes of distribution as dividend.

The company has opted not to charge the impairment loss in the profit and loss account but to show it under equity as management is of the view that the significant decline in values were attributable to a combination of several negative factors and is not of a permanent nature. Had the company followed the requirements of IAS 39 for the treatment of impairment on available for sale equity investments, the resultant impairment loss would have had the following impact on the financial statements of the company:

Recognition of impairment loss in the profit and loss account	53.493 million
Decrease in the deficit on revaluation of available for sale investments	53.493 million
Increase in the loss for the period	53.493 million
Decrease in the earnings per share for the half year	Rs. 0.98

Future Outlook

We believe that implementation of the IMF Program will result in more positive market conditions in the upcoming months. The KSE is trading at a much lower multiple than other regional markets and the expected decline in interest rates by the end of the current financial year will contribute to increased valuations and participation in the market. However the benefits of these financial indicators are heavily dependent on restoration of investor confidence which has also been shaken as a result of perceived lack of political congruence; a problematic law and order situation; instability in the northern regions; and some levels of increased tension with neighbouring countries. The management of the global financial crisis and the establishment of a pro-Pakistan platform by the new US leadership will also affect the position of the Country and any international measures to promote stability in the region will be favourable.

Change in Legal Framework

On November 21, 2008 the SECP promulgated the Non-Banking Finance Companies and Notified Entities Regulations, 2008. Under these regulations, the Fund was required to apply for registration as a Notified Entity. This application has been submitted to the Securities and Exchange Commission of Pakistan (SECP) and a response awaited.

Exposure of CRTM

Due to movement in market prices, the Fund’s exposure in The Crescent Textile Mills Limited exceeded 10% on December 31, 2008. Continued efforts were made to reduce this exposure and on January 20, 2009 this exposure was brought down to below 10%.

Change in Chief Executive Officer

Subsequent to yearend the undersigned resigned as Director and Chief Executive Officer of the Fund. The Board of Directors appointed Ms. Tehmeena Khan, an existing Director of the Fund, as Chief Executive Officer for a three year period. A director will be co-opted to fill in the casual vacancy arising in the due course of time and approval for these appointments will be sought from the SECP.

Credit Ranking

The Fund’s last available ranking from JCR – VIS is based on June 2008 performance. In this ranking the Fund was placed as MFR*1 for one year performance and MFR*4 for two year performance.

Merger of Investment Advisor

The SECP approved the merger of Asian Capital Management Limited with and into Safeway Fund Limited, the Investment Advisor of the Fund, effective close of business on December 31, 2008. The Fund’s Investment Advisor will therefore manage both Safeway Mutual Fund Limited and Asian Stocks Fund Limited.

Acknowledgement

The Board places on record its thanks to the regulatory authorities, the stock exchanges, the Mutual Funds Association of Pakistan, the Investment Advisor, the Custodian and the Bankers of the Company for their continued cooperation and services. The Board also extends its gratitude to its shareholders for their trust reposed in us.

On behalf of the Board of Directors

Muhammad Naeem Baig
Chief Executive Officer



Safeway Fund Limited
Asset Management Services

Fund Manager's Report on Fund Performance

Investment Philosophy & Strategy

The investment objective of the Fund is to provide its shareholders a vehicle for long-term capital appreciation. The investment philosophy and strategy, risk management policies and corporate governance policies have been more fully described in the Investment Advisor's Report on Fund Performance printed in the 2008 Annual Report.

Market Performance and Results of Operations

During the half year ended December 31, 2008, the KSE-100 index fell by 6,424 points or 52.27% to close at 5,865 while the KSE-30 Index dropped by 61.71% to close at 5,485. Efforts were made to inject liquidity in the market through government sponsored funds but this liquidity was insufficient and selling quantities piled up at floor rates. This continued trend echoed a growing systemic problem in the financial sector and to arrest the falling market, on August 27, 2008 a floor was imposed at the KSE-100 Index at a level of 9,144 points. After almost three and a half months of minimal trading activity, the floor was removed on December 15, 2008 through a Securities and Exchange Commission of Pakistan (SECP) directive. The pressure on the CFS MK II Financing System also built up during this period and the Non Broker Financiers eventually opted for a settlement of their liabilities as at December 31, 2008 through a Voluntary Square Up Program facilitated by the Ministry of Finance.

The Factors that have caused the market to decline over the past 6 months include political uncertainty, continued security concerns and a slow response in the resolve of economic concerns. These factors resulted in a downgrade of Pakistan's sovereign rating by both S&P and Moody's, and a decision by of MSCI Barra to remove the Pakistani market from its MSCI EM Index w.e.f. December 31st 2008. The increase in SBP discount rate by 200bps to 15% in November, 2008 also contributed towards lower valuations.

Owing to the overall market situation, activity in the Fund remained minimal, and the Fund's NAV has declined from Rs. 16.26 at the beginning of the year to Rs. 8.74 at December 31, 2008. The EPS for the half year ended of 2009 was a loss of Rs. 5.38 per share, compared to a profit of Rs. 1.01 per share for the half year of 2008. Through the Voluntary Square Up Program, the Fund's CFS liability was settled in full through cash and scrips by December 31, 2008. The Fund has decided to terminate participation in CFS MK II to contain the risk profile of the Fund's investors. There has been no significant change to the portfolio composition during the half year period.

Declaration by Directors

As required under the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the Directors of the Investment Advisor state that the financial statements of Safeway Mutual Fund Limited for the half year ended December 31, 2008 give a true and fair view of the Fund.

Renewal of License

The Investment Advisor is required to renew its license on an annual basis. This renewal request has been submitted to the SECP and a response is awaited.

Appointment of Chief Investment Officer and Compliance Officer

As required by the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the Chief Executive Officer of the Investment Advisor, Mr. Nihal Cassim has been designated as Chief Investment Officer. Ms Tehmeena Khan, the Company Secretary has been designated as Compliance Officer.

Future Outlook

We believe that implementation of the IMF Program will result in more positive market conditions in the upcoming months. The KSE is trading at a much lower multiple than other regional markets and the expected decline in interest rates by the end of the current financial year will contribute to increased valuations and participation in the market. However the benefits of these financial indicators are heavily dependent on restoration of investor confidence which has also been shaken as a result of perceived lack of political congruence, a problematic law and order situation and instability in the northern regions. The management of the global financial crisis and the establishment of a pro-Pakistan platform by the new US leadership will also affect the position of the Country and any international measures to promote stability in the region will be beneficial to the market at large and the Fund. The Fund's management will keep a cautious view and focus on continued improvement of the portfolio performance by availing the market conditions to switch out of expensive and illiquid scrips into more stable businesses with strong business models. Scrips acquired through the CFS Voluntary Square Up Program will also continue to be disposed off.

Acknowledgement

We extend our gratitude to the stock exchanges, the regulators, CDC, NCCPL and the Board of Safeway Mutual Fund Limited, for their continued guidance and support, and to our team for their hard work and dedication.

For and on behalf of Safeway Fund Limited

JAWED AKHTAR MANGRORIA
Fund Manager

NIHAL CASSIM
Chief Executive Officer

Karachi - February 23, 2009

Auditors' Report To The Members On Review Of Condensed Interim Financial Information

Introduction

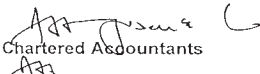
We have reviewed the accompanying condensed interim statement of assets and liabilities of Safeway Mutual Fund Limited as at December 31, 2008 and the related condensed interim income statement, condensed interim distribution statement, condensed interim cash flow statement and condensed interim statement of movement in equity and reserves – 'per share' together with the notes forming part thereof for the half year then ended (here-in-after referred to as the "condensed interim financial information"). Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan. Our responsibility is to express a conclusion on this condensed interim financial information based on our review. The figures of the condensed interim income statement, condensed interim distribution statement and condensed interim statement of movement in equity and reserves – 'per share' for the quarters ended December 31, 2008 and 2007 have not been reviewed, as we are required to review only the cumulative figures for the half year ended December 31, 2008.

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 condensed 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 condensed interim financial information as of and for the half year ended December 31, 2008 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan.



Chartered Accountants

A. F. Ferguson & Co.

Lahore, February 23, 2009

Name of the engagement partner: Muhammad Masood



Condensed Interim Statement Of Assets And Liabilities

as at December 31, 2008 (Un-Audited)

ASSETS	Note	Unaudited December 31, 2008 (Rupees in thousand)	Audited June 30, 2008
Current assets			
Cash and bank balances		42,287	9,450
Short term investments	4	420,476	846,114
Receivable against continuous funding system		6,222	25,997
Receivable against sale of Investments		4,477	1,308
Dividend receivable		2,631	4,600
Income tax refundable		910	910
Prepayments and other receivable		1,240	524
		478,243	888,904
Non current assets			
Long-term deposits		3,615	3,615
TOTAL ASSETS		481,858	892,519
Current liabilities			
Remuneration payable to Investment Advisor		4,548	1,706
Accrued expenses and other liabilities		1,014	5,102
Provision for taxation		879	879
		6,441	7,687
NET ASSETS		475,417	884,832
SHAREHOLDERS' EQUITY			
Authorized share capital			
60,000,000 (June 30, 2008: 60,000,000) ordinary shares of Rs 10 each		600,000	600,000
Issued, subscribed and paid-up capital			
54,450,000 (June 30, 2008: 54,450,000) ordinary shares of Rs 10 each issued as fully paid in cash		544,500	544,500
Capital reserves			
Share premium account		33,000	33,000
Unrealized (diminution) / appreciation in fair value of investments classified as 'available for sale'	4.3	(29,937)	72,678
		3,063	105,678
Revenue reserve			
Unappropriated (loss) / income		(72,146)	234,654
		475,417	884,832
Contingencies and commitments		-	-

The Company has opted for the accounting treatment of impairment loss of Rs 53.493 million in respect of its Available For Sale Investments in accordance with the SRO 150(1)/2009 issued by the Securities and Exchange Commission of Pakistan (SECP) on February 13, 2009. For the purpose of dividend distribution such impairment loss is to be treated as a charge to the income statement as referred to in note 3.

The annexed notes 1 to 9 form an integral part of these condensed interim financial information.


CHIEF EXECUTIVE OFFICER


DIRECTOR

Condensed Interim Income Statement

for the quarter and half year ended December 31, 2008 (Un-Audited)

	Note	October to December		July to December	
		2008	2007	2008	2007
		(Rupees in thousand)		(Rupees in thousand)	
Income					
(Loss) / gain on sale of shares		(5,222)	40,057	(26,703)	79,080
Unrealised diminution on investments at fair value through profit or loss		(144,607)	(14,565)	(275,231)	(32,720)
Return on term finance certificate		883	355	883	355
Income from continuous funding system		1,924	-	3,536	-
Dividend Income		8,684	12,777	12,474	17,699
Other income		325	1,449	1,085	3,679
		(138,013)	40,073	(283,956)	68,093
Operating expenses					
Administrative and general expenses	5	(678)	(1,532)	(2,122)	(2,538)
Remuneration of Investment Advisor		(3,374)	(5,230)	(7,074)	(10,509)
		(4,052)	(6,762)	(9,196)	(13,047)
		(142,065)	33,311	(293,152)	55,046
Finance cost		(35)	(1)	(36)	(3)
(Loss) / income before tax		(142,100)	33,310	(293,188)	55,043
Taxation	6	-	-	-	-
(Loss) / income after tax		(142,100)	33,310	(293,188)	55,043
(Loss) / earnings per share	(Rupees)	(2.61)	0.61	(5.38)	1.01

The Company has opted for the accounting treatment of impairment loss of Rs 53.493 million in respect of its Available For Sale Investments in accordance with the SRO 150(1)/2009 issued by the Securities and Exchange Commission of Pakistan (SECP) on February 13, 2009. For the purpose of dividend distribution such impairment loss is to be treated as a charge to the income statement as referred to in note 3.

The annexed notes 1 to 9 form an integral part of these condensed interim financial information.



CHIEF EXECUTIVE OFFICER



DIRECTOR



Condensed Interim Distribution Statement

for the quarter and half year ended December 31, 2008 (Un-Audited)

	October to December		July to December	
	2008	2007	2008	2007
	(Rupees in thousand)		(Rupees in thousand)	
Unappropriated income brought forward	83,566	278,587	234,654	365,754
Final dividend for the year ended June 30, 2008: Rs 0.25 per share (June 30, 2007 : Rs 2 per share)	(13,612)	-	(13,612)	(108,900)
Net (loss) / income for the period	(142,100)	33,310	(293,188)	55,043
Unappropriated (loss) / income carried forward	<u>(72,146)</u>	<u>311,897</u>	<u>(72,146)</u>	<u>311,897</u>

The Company has opted for the accounting treatment of impairment loss of Rs 53.493 million in respect of its Available For Sale Investments in accordance with the SRO 150(1)/2009 issued by the Securities and Exchange Commission of Pakistan (SECP) on February 13, 2009. For the purpose of dividend distribution such impairment loss is to be treated as a charge to the income statement as referred to in note 3.

The annexed notes 1 to 9 form an integral part of these condensed interim financial information.


CHIEF EXECUTIVE OFFICER


DIRECTOR

Condensed Interim Cash Flow Statement

for the half year ended December 31, 2008 (Un-Audited)

	July to December	
	2008	2007
(Rupees in thousand)		
Cash flows from operating activities		
(Loss) / income before tax	(293,188)	55,043
Adjustment:		
- Unrealised diminution in fair value of investments classified as 'held for trading'	275,231	32,720
- Capital gain on sale of investments classified as 'available for sale'	(2,945)	(40,247)
- Dividend income	(12,474)	(17,699)
- Mark up Income	(1,085)	(3,679)
- Remuneration of Investment Advisor	7,074	10,509
(Loss) / income before working capital changes	(27,387)	36,647
Effect on cash flow due to working capital changes:		
- Decrease in short term investments	50,737	56,434
- Decrease in receivable against continuous funding system	19,775	-
- Increase in receivable against sale of investment	(3,169)	-
- Increase in prepayments and other receivable	(577)	(15,324)
- Decrease in accrued expenses and other liabilities	(4,093)	(8,732)
	62,673	32,378
Cash generated from operations	35,286	69,025
Remuneration of Investment Advisor	(4,232)	(25,374)
Taxes paid	-	(135)
Mark up received	946	3,819
Dividend received	14,443	14,310
Net cash from operations	46,443	61,645
Cash flows from financing activities		
Dividend paid	(13,606)	(108,820)
Net cash used in financing activities	(13,606)	(108,820)
Net increase / (decrease) in cash and cash equivalents	32,837	(47,175)
Cash and cash equivalents at the beginning of the period	9,450	98,762
Cash and cash equivalents at the end of the period	42,287	51,587

The annexed notes 1 to 9 form an integral part of these condensed interim financial information.

CHIEF EXECUTIVE OFFICER



DIRECTOR





Condensed Interim Statement Of Movement In Equity And 'Reserves - 'Per Share'

for the quarter and half year ended December 31, 2008 (Un-Audited)

	October to December		July to December	
	2008	2007	2008	2007
	(Rupees)		(Rupees)	
Net assets per share as at the beginning of the period	12.18	18.49	16.25	20.61
Dilution due to final dividend for the year ended June 30, 2008 - Rs 0.25 per share	(0.25)	-	(0.25)	(2.00)
Capital (loss) / gain on sale of marketable securities	(0.10)	0.74	(0.49)	1.45
Unrealized diminution in value of investments classified as 'held for trading'	(2.66)	(0.27)	(5.05)	(0.60)
Other net operating income for the period	0.14	0.14	0.16	0.16
Net (loss) / income for the period	(2.62)	0.61	(5.38)	1.01
Unrealized (diminution) / appreciation in the value of investments classified as 'available for sale	(0.57)	0.66	(1.88)	0.14
Net assets per share as at the end of the period	8.74	19.76	8.74	19.76

'The Company has opted for the accounting treatment of impairment loss of Rs 53.493 million in respect of its Available For Sale Investments in accordance with the SRO 150(1)/2009 issued by the Securities and Exchange Commission of Pakistan (SECP) on February 13, 2009. For the purpose of dividend distribution such impairment loss is to be treated as a charge to the income statement as referred to in note 3.

The annexed notes 1 to 9 form an integral part of these condensed interim financial information.


CHIEF EXECUTIVE OFFICER


DIRECTOR

Notes To The Condensed Interim Financial Information (un-audited)

for the quarter and half year ended December 31, 2008

1. Legal status and Nature of business

Safeway Mutual Fund Limited ('The Company') is a public limited company incorporated in May 1994 under the Companies Ordinance, 1984 and has been registered with the Securities and Exchange Commission of Pakistan (SECP) as an Investment Company under the Investment Companies and Investment Advisors Rules, 1971 to carry on the business of a closed end investment company. The Company is also registered under Rule 38 of the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules). The Company commenced its business in July 1994 and is listed on Karachi and Islamabad Stock Exchanges.

The Company has entered into an agreement with Safeway Fund Limited to act as its Asset Management Company. Safeway Fund Limited is duly licensed under the NBFC Rules to act as an Asset Management Company.

The Company primarily invests in shares of listed companies.

2. Statement of compliance

These condensed interim financial information have been prepared in accordance with the requirements of the Companies Ordinance, 1984, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules) and the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations), directives issued by the SECP and the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case the requirements differ, the provisions or directives of the Companies Ordinance, 1984, the requirements of the NBFC rules and the NBFC Regulations shall prevail.

The disclosures made in these condensed interim financial information have, however, been limited based on the requirements of the International Accounting Standard 34, Interim Financial Reporting. These condensed interim financial statements are unaudited but have been reviewed by the external auditors in accordance with the requirements of the Code of Corporate Governance promulgated by SECP.

3. Significant accounting policies

The accounting policies adopted for the preparation of these condensed interim financial information are the same as those applied in the preparation of preceding annual published financial statements of the Company for the year ended June 30, 2008, except for the following:

The International Accounting Standard Financial Instrument: Recognition and Measurement (IAS-39) requires that an impairment loss on available for sale investments shall be charged to income statement of the period. The SECP vide its S.R.O. 150(I)/2009 dated February 13, 2009 has allowed all the Companies and Mutual Funds to account for the impairment loss as at December 31, 2008 on their available for sale investments under the equity in statement of assets and liabilities instead of charging it to the income statement. The SRO further states that such impairment loss, however, shall be treated as a charge to the income statement for the purposes of dividend distribution. Moreover, the amount of impairment loss taken to equity in these half yearly accounts shall be recorded, after adjustment of price movement if any, in income statement on quarterly basis during the calendar year ending on December 31, 2009.

The Company has opted for the accounting treatment allowed by SECP vide above referred SRO in respect of its available for sale investments and impairment loss as at December 31, 2008 amounting to Rs 53.493 million has been accounted for in equity under the head un-realized (diminution) / appreciation in fair value of investments classified as 'available for sale' in statement of assets and liabilities. Had that impairment loss been charged to income statement in accordance with IAS-39, the net loss after tax for the quarter and half year ended December 31, 2009 would have been higher by Rs 53.493 million and loss per share would have been Rs 3.59 and Rs 6.37 respectively for the quarter and half year ended December 31, 2008.

December 31, 2008 June 30, 2008
(Rupees in thousand)

4. Short term investments

Investments in marketable securities

- At fair value through profit or loss	-note 4.1	289,259	607,056
- Available for sale	-note 4.2	131,217	239,058
		420,476	846,114

4.1 Investments in marketable securities - 'at fair value through profit or loss'

Name of the Investee Company	Number of shares			Balance as at December 31, 2008			Percentage in relation to				
	As at July 1, 2008	Purchases / Adjustments made during the period	Sales / Adjustments during the period	As at Dec 31, 2008	Cost	Carrying cost	Market value	Appreciation/ (diminution)	Net costs of the company (with market investments)	Paid up capital of investee company (with investments)	Total carrying value of investments (with market investments)
Shares of listed Companies - Fully paid ordinary shares of Rs 10 each unless stated otherwise	(Rupees in thousand)										
Modaraba											
Modaraba Al Mali	215,500	-	-	215,500	1,797	1,058	310	(748)	0.07	1.17	0.07
First Fidelity Leasing Modaraba	149,000	-	149,000	-	1,797	1,058	310	(748)	0.07	1.17	0.07
Leasing Companies											
Saudi Pak Leasing Company Limited	105,000	-	-	105,000	1,103	725	305	(420)	0.06	0.23	0.07
Investment Companies and Banks											
Javed Omer Vohra and Company Limited	40,000	3,537	5,000	42,037	3,307	1,909	381	(1,528)	0.08	0.08	0.09
Arif Habib Limited	-	315	-	315	24	24	27	3	0.01	-	0.01
Innovative Investment Bank Limited *	-	16,852	-	16,852	761	761	709	(52)	0.15	-	0.17
(Formerly: Innovative Housing Finance Limited)	14,003	-	-	14,003	-	-	-	-	-	-	-
Jahangir Siddiqui and Company Limited	30,000	19,564	15,000	95,508	15,536	12,766	4,993	(7,774)	1.05	0.01	1.19
Jahangir Siddiqui and Company Limited - Right	-	4,900	4,900	-	-	-	-	-	-	-	-
JS Investment Limited	-	131	-	131	5	5	6	1	-	-	-
Pervaiz Ahmed Securities Limited	-	1,464	-	1,464	10	10	5	(5)	-	-	-
First National Equities Limited	-	2	-	2	-	-	-	-	-	-	-
Dawood Equities Limited	-	13	-	13	-	-	-	-	-	-	-
Dawood Capital Management Limited	20,000	-	2,000	22,000	723	558	479	(79)	0.10	0.15	0.11
					20,366	16,033	6,600	(9,434)	1.39	0.24	1.57
Textile Spinning											
H. M. Ismail Textile Mills Limited	226,000	-	-	226,000	1,778	452	382	(70)	0.08	1.89	0.09
Nazir Cotton Mills Limited	235	-	235	-	-	-	-	-	-	-	-
D.S. Industries Limited	-	738	-	738	10	10	11	1	-	-	-
Shaheen Cotton Mills Limited	527,900	-	-	527,900	4,672	2,112	2,112	-	0.44	3.58	0.50
					6,460	2,574	2,505	(69)	0.52	5.47	0.59
Textile Weaving											
Zephyr Textile Limited	567,500	-	-	567,500	5,926	2,775	1,203	(1,572)	0.25	0.95	0.29
					5,926	2,775	1,203	(1,572)	0.25	0.95	0.29

Name of the Investee Company	Number of shares			Balance as at December 31, 2008			Percentage in relation to			
	As at July 1, 2008	Purchases / Sales / Adjustments during the period	As at Dec 31, 2008	Cost	Carrying cost	Market value	Appreciation / (diminution)	Net costs of the company (with market investments)	Paid up capital of investee company (with market investments)	Total carrying value of investments
Shares of listed companies - Fully paid ordinary shares of Rs 10 each unless stated otherwise				(Rupees in thousand)						
Cement										
Attock Cement Pakistan Limited	57,000	-	57,000	5,540	4,396	2,148	(2,248)	0.45	0.08	0.51
Al-Abbas Cement Industries Limited	-	138	138	-	-	1	1	-	-	-
DG Khan Cement Company Limited	300,000	53,953	301,453	27,611	19,659	6,412	(13,247)	1.35	0.12	1.52
Dewan Cement Limited	-	465	465	2	2	1	(1)	-	-	-
Fauji Cement Company Limited	195,000	29,048	194,048	3,419	1,771	912	(859)	0.19	0.03	0.22
Javedan Cement Limited	54,700	-	54,700	5,921	6,173	5,344	(829)	1.12	0.10	1.27
Lucky Cement Limited	52,500	20,209	32,709	3,415	2,920	1,023	(1,898)	0.22	0.01	0.24
Maple Leaf Cement Factory Limited	142,500	1,804	34,304	747	359	141	(219)	0.03	0.01	0.03
Pakistan Cement Factory	-	4,152	4,152	8	8	13	5	-	-	-
Pioneer Cement Limited	-	410	410	9	9	10	1	-	-	-
Zeal Pak Cement Company Limited	495,000	-	495,000	2,782	1,356	257	(1,099)	0.05	0.12	0.06
				49,454	36,653	16,262	(20,393)	3.41	0.47	3.85
Refinery										
Attock Refinery Limited	37,500	40,177	177	11	11	11	(1)	-	-	-
National Refinery Limited	-	187	187	19	19	18	(1)	-	-	-
Pakistan Refinery Limited	-	11,298	11,298	973	973	1,112	139	0.23	0.03	0.26
Boscor Pakistan Limited	140,000	7,935	147,935	2,453	1,902	689	(1,213)	0.14	0.04	0.16
				3,456	2,905	1,830	(1,076)	0.37	0.07	0.42
Power Generation & Distribution										
Hub Power Company Limited	400,000	2,421	402,421	12,126	11,468	5,670	(5,798)	1.19	0.03	1.35
Karachi Electric Supply Corporation Limited	733,500	-	693,500	4,359	3,794	1,436	(2,359)	0.30	0.01	0.34
Kohinoor Energy Limited	92,500	-	88,500	3,350	2,403	1,704	(699)	0.36	0.05	0.41
Kot Addu Power Company Limited	40,000	90	35,090	1,831	1,647	1,108	(539)	0.23	-	0.26
				21,666	19,312	9,918	(9,395)	2.08	0.09	2.36
Oil & Gas Marketing Companies										
Pakistan State Oil Company Limited	40,000	15,487	45,187	19,858	17,994	6,533	(11,461)	1.37	0.03	1.55
Attock Petroleum Limited	-	67	67	10	10	10	-	-	-	-
Sui Southern Gas Company Limited	-	3,730	3,730	44	44	39	(5)	0.01	-	0.01
Sui Northern Gas Pipelines Limited	298,300	1,058	255,358	18,662	11,097	5,480	(5,617)	1.15	0.05	1.30
				38,574	29,145	12,062	(17,083)	2.53	0.08	2.86

Name of the Investee Company	Number of shares			Balance as at December 31, 2008			Percentage in relation to					
	As at July 1, 2008	Purchases / Redemptions during the period	Bonus/ Rights	Sales / Adjustments during the period	As at Dec 31, 2008	Cost	Carrying cost	Market value	Appreciation/ (diminution)	Net costs of the company (with market investments)	Paid up capital of company (with market investments)	Total value of investments
Shares of listed companies - Fully paid ordinary shares of Rs 10 each unless stated otherwise												
Oil & Gas Exploration Companies												
Mari Gas Company Limited	-	88,300	-	48,600	39,700	6,631	6,631	3,928	(2,703)	0.83	0.01	0.93
Oil & Gas Development Corporation Limited	630,000	223,662	-	185,000	668,662	80,337	77,278	33,426	(43,852)	7.03	0.02	7.95
Pakistan Oilfields Limited	10,800	107,635	9,160	72,500	55,095	13,011	13,006	5,647	(7,359)	1.19	0.02	1.34
Pakistan Petroleum Limited	300,000	97,615	25,840	139,000	284,455	64,133	61,462	28,622	(32,840)	6.02	0.03	6.81
					164,112	158,377	71,623	(86,754)	15.07	0.08	17.03	
Automobile Assembler												
Indus Motor Company Limited	-	41	-	-	41	5	5	5	-	-	-	-
Honda Atlas Cars (Pakistan) Limited	-	1,061	-	-	1,061	14	14	12	(2)	-	-	-
Pak Suzuki Motors	110,000	-	-	-	110,000	26,383	13,177	8,737	(4,420)	1.84	0.13	2.08
						26,402	13,196	8,774	(4,422)	1.84	0.13	2.08
Automobile Parts & Accessories												
Agriautos Industries Limited (ordinary share of Rs 5 each)	103,600	5,000	21,720	-	130,320	10,927	8,793	4,023	(4,770)	0.85	0.91	0.96
						10,927	8,793	4,023	(4,770)	0.85	0.91	0.96
Close-end Mutual Funds												
JS Value Fund Limited	-	498	-	-	498	1	1	2	1	-	-	-
Pakistan Premier Fund Limited	-	461	-	-	461	1	1	1	-	-	-	-
PICIC Growth Fund	-	653	-	-	653	5	5	4	(1)	-	-	-
						7	7	7	-	-	-	-
Insurance												
Adanijee Insurance Company Limited	-	56	-	-	56	6	6	6	-	-	-	-
EFU General Insurance Limited	-	403	-	-	403	49	49	54	5	0.01	-	0.01
Pakistan Reinsurance Company Limited	-	404	-	-	404	10	10	10	-	-	-	-
						65	65	70	5	-	-	-
Synthetic and Rayon												
Dewan Salman Fibre Limited	-	23,785	-	-	23,785	22	22	34	12	0.01	0.01	0.01
						22	22	34	12	-	0.01	-

Name of the Investee Company	Number of shares			Balance as at December 31, 2008			Percentage in relation to				
	As at July 1, 2008	Purchases / Sales during the period	Bonus / Rights	As at Dec 31, 2008	Cost	Carrying cost	Market value	Appreciation / (diminution)	Net costs of the company (with market value of investments)	Paid up capital of investee company (with market value of investments)	Total
Shares of listed companies - Fully paid ordinary shares of Rs 10 each unless stated otherwise											
(Rupees in thousand)											
Engineering											
Dost Steel Limited	-	-	346	-	-	346	3	3	-	-	-
Cable & Electrical Goods											
Pak Elektron Limited	-	174,756	-	107,156	4,089	4,089	2,434	(1,655)	0.51	0.11	0.58
Pak Elektron Limited - Preference shares	2,500,000	-	-	1,875,000	18,752	18,750	-	3.94	1.96	4.46	4.46
					22,841	22,839	21,184	(1,655)	4.45	2.07	5.04
Transport											
Pakistan International Container Terminal Limited	-	-	733	733	32	32	33	1	0.01	-	0.01
Pakistan National Shipping Corporation Limited	100,000	250,000	-	100,000	6,706	5,913	5,105	(808)	1.07	0.08	1.21
					6,738	5,945	5,138	(807)	1.08	0.08	1.22
Technology and Communication											
Neisol Technologies Limited	10,000	14,199	2,000	26,199	1,549	1,358	662	(697)	0.14	0.04	0.16
Eye Television Network Limited	-	4	-	4	-	-	-	-	-	-	-
Pakistan Telecommunication Company Limited	500,000	51,175	-	551,175	25,190	20,773	9,310	(11,463)	1.96	0.01	2.21
TRG Pakistan Limited	475,000	7,931	-	482,931	6,999	2,979	859	(2,120)	0.18	0.13	0.20
Telacard Limited	-	2,620	-	2,620	3	3	5	2	-	-	-
Worldcall Telecom Limited	147,500	62,516	-	210,016	2,917	2,318	624	(1,694)	0.13	0.02	0.15
					36,658	27,431	11,460	(15,972)	2.41	0.20	2.72
Fertilizer											
Engro Chemicals Pakistan Limited	80,000	55,287	-	287	30	30	28	(2)	0.01	-	0.01
Fauji Fertilizer Bin Qasim Limited	570,000	2,655	-	572,655	24,197	20,537	7,387	(13,150)	1.55	0.06	1.76
Fauji Fertilizer Company Limited	70,000	120,724	-	145,724	14,276	13,999	8,558	(5,441)	1.80	0.03	2.04
					38,503	34,566	15,973	(18,593)	3.36	0.09	3.81
Pharmaceuticals											
Abbott Laboratories (Pakistan) Limited	100,900	-	-	100,900	20,571	17,900	9,042	(8,859)	1.90	0.10	2.15
Searle Pakistan Limited	-	3	-	3	-	-	-	-	-	-	-
GlaxoSmithKline Pakistan Limited	80,600	-	-	80,600	15,759	13,702	6,121	(7,581)	1.29	0.05	1.46
					36,330	31,602	15,163	(16,440)	3.19	0.15	3.61

Name of the Investee Company	Number of shares			Balance as at December 31, 2008			Percentage in relation to					
	As at July 1, 2008	Purchases / Redemptions during the period	Bonus/ Rights	As at Dec 31, 2008	Cost	Carrying cost	Market value	Appreciation/ (diminution)	Net costs of the company (with market investments)	Paid up capital of investee company (with market investments)	Total value of investments	
Shares of listed companies - Fully paid ordinary shares of Rs 10 each unless stated otherwise	(Rupees in thousand)											
Chemicals												
ICI Pakistan Limited	15,000	5,195	-	195	14	14	13	(1)	-	-	-	
Pakistan PTA Limited	-	2,723	-	2,723	3	3	4	1	-	-	-	
BOC Pakistan Limited	-	18	-	18	2	2	2	-	-	-	-	
Shara Peroxide Limited	41,000	61,185	-	102,185	5,423	4,764	1,853	(2,911)	0.39	0.19	0.44	
					5,442	4,783	1,872	(2,911)	0.39	0.19	0.44	
Paper and Board												
Packages Limited	10,000	7,667	-	17,667	3,168	3,150	1,434	(1,716)	0.30	0.02	0.34	
					3,168	3,150	1,434	(1,716)	0.30	0.02	0.34	
Miscellaneous												
Pace Pakistan Limited	-	12,320	-	12,320	132	132	106	(26)	0.02	0.01	0.03	
Pakistan Services Limited	55,800	-	-	55,300	23,519	29,862	23,813	(6,049)	5.01	0.17	5.66	
Tin Pack Films Limited	-	46	-	46	6	6	6	-	-	-	-	
					23,657	30,000	23,925	(6,075)	5.03	0.18	5.69	
Glass and Ceramics												
Balochistan Glass Limited	100,500	-	-	100,500	1,412	683	276	(407)	0.06	0.12	0.07	
					1,412	683	276	(407)	0.06	0.12	0.07	
Bonds												
Orix Leasing Pakistan Limited (term finance certificates of Rs 5,000 each)	1,212	-	-	-	-	-	-	-	-	-	-	
Pak Arab Fertilizers Limited (term finance certificates of Rs 5,000 each)	862	-	-	-	-	-	-	-	-	-	-	
Maple Leaf Cement Factory Limited (SUKUK certificates of Rs 5,000 each)	2,000	-	-	2,000	10,000	10,058	10,043	(15)	2.11	0.02	2.39	
					10,000	10,058	10,043	(15)	2.11	0.02	2.39	
RELATED PARTIES												
Food & Personal Care Products												
Shakaganj Foods Limited	100,000	-	-	100,000	364	1,429	995	(434)	0.21	3.33	0.24	
					364	1,429	995	(434)	0.21	3.33	0.24	
TOTAL	13,994,504	2,239,508	161,484	2,730,509	678,098	564,480	289,259	(275,231)				

* Innovative Investment Bank Limited (formerly International Housing Finance Limited) (IIBL) is an unlisted company so its fair value can not be ascertained reliably. IIBL has made an application for listing to the Karachi Stock Exchange. Based on the prudence principle of accounting the investment in the shares of IIBL has been recorded at NIL value, being the carrying value of investment in CSIBL shares at the time of derecognition.



4.2 Investments in marketable securities - 'available for sale'

Name of the Investee Company	Number of shares			Balance as at December 31, 2008			Percentage in relation to			
	As at July 1, 2008	Purchases/ Adjustments during the period	Bonus/ Rights	As at Dec 31, 2008	Cost	Market value	Appreciation/ (diminution)	Net assets (with impact on value of investments)	Paid up capital of investee company (with impact on value of investment)	Total carrying value of investments
Shares of listed companies - Fully paid ordinary shares of Rs 10 each unless stated otherwise										
Textile Composite										
Crescent Textile Mills Limited	1,588,078	-	-	1,438,778	50,542	74,098	23,556	15.59	2.92	17.62
					50,542	74,098	23,556	15.59	2.92	17.62
Leasing Companies										
Al-Zamin Leasing Corporation Limited (Formerly: Crescent Leasing Corporation Limited)	398,360	-	-	398,360	2,471	614	(1,857)	0.13	0.08	0.15
					2,471	614	(1,857)	0.13	0.08	0.15
Power Generation & Distribution										
Alltem Energy Limited	1,479,500	500	-	1,480,000	22,278	18,056	(4,222)	3.80	0.43	4.29
					22,278	18,056	(4,222)	3.80	0.43	4.29
RELATED PARTIES										
Sugar and Allied Industries										
Shakarganj Mills limited	2,403,509	-	-	2,403,509	42,224	17,426	(24,798)	3.67	3.46	4.14
					42,224	17,426	(24,798)	3.67	3.46	4.14
Engineering										
Crescent Steel & Allied Products Limited	1,121,864	446	112,186	1,234,496	43,639	21,023	(22,616)	4.42	2.19	5.00
					43,639	21,023	(22,616)	4.42	2.19	5.00
TOTAL	6,991,311	946	112,186	6,955,143	161,154	131,217	(29,937)			

4.3 Net unrealized appreciation in the value of investments classified as 'available for sale'

Market value	-note 4.2	131,217	239,058
Less: Cost	-note 4.2	(161,154)	(166,380)
Add: Impairment charge	-note 4.3.1	-	-
		(29,937)	72,678
4.3.1 Impairment charge			
Opening balance		-	16,292
Add: impairment charge recognized during the period/year		-	3,361
Less: sale of investments		-	(19,653)
Closing balance		-	-

No impairment charge for the period has been recognised by the Company in accordance with the accounting treatment allowed under SRO 150(1)/2009 issued by the SECP.

	October to December		July to December	
	2008	2007	2008	2007
5. Administrative and general expenses				
Annual fee - Securities and Exchange Commission of Pakistan	394	393	320	641
Settlement and custody charges	(231)	401	1,100	781
Professional fee and subscription	(76)	(56)	76	253
Auditors' remuneration	165	143	165	165
Others	426	651	461	698
	678	1,532	2,122	2,538

6. Provision for taxation

In view of the available tax losses, no provision for taxation has been made during the period.

	October to December		July to December	
	2008	2007	2008	2007
7. Transactions with connected persons				
Remuneration to Investment Advisor				
Safeway Fund Limited - Investment Advisor	3,374	5,230	7,074	10,509
Dividend paid				
Shakarganj Mills Limited	7,304	-	7,304	58,430
Crescent Steel & Allied Products Limited	1,990	-	1,990	15,888
Safeway Fund Limited	1,548	-	1,548	11,145
Asian Capital Management Limited	375	-	375	3,000
Crescent Leasing Corporation Limited	-	-	-	3,199
Dividend income				
Crescent Steel & Allied Products Limited	-	823	-	2,072
Shakarganj Mills Limited	-	1,938	-	1,938

8. Date of authorization for issue

These condensed interim financial information have been authorized for issue on February 23, 2009 by the Board of Directors of the Company.

9. General

9.1 Figures have been rounded off to the nearest thousand rupees.

9.2 Corresponding figures have been re-arranged wherever necessary, for the purpose of comparison. However, no significant re-arrangements have been made.



CHIEF EXECUTIVE OFFICER



DIRECTOR

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