

CONTENTS

GENERAL INFORMATION	01
DIRECTORS' REPORT	02
FUND MANAGER'S REPORT	03
CONDENSED INTERIM STATEMENT OF ASSET AND LIABILITIES	04
CONDENSED INTERIM INCOME STATEMENT	05
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME	06
CONDENSED INTERIM STATEMENT OF MOVEMENT IN EQUITY AND RESERVES - 'PER SHARE'	07
CONDENSED INTERIM CASH FLOW STATEMENT	08
CONDENSED INTERIM DISTRIBUTION STATEMENT	09
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY	10
NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION	11



SAFEWAY MUTUAL FUND LIMITED

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.

Website and Email address

www.safewayfund.com
info@safewayfund.com

Company Registration number

0032559

National Tax Number

0698204-2

Asset Manager

Safeway Fund Limited

Custodian

Central Depository Company
of Pakistan Limited

Internal Auditors

Riaz Ahmad & Company
Chartered Accountants
(Engagement Partner: Mr Muhammad
Kamran Nasir)

Board of Directors

Mr. Anjum M. Saleem (Chairman)
Ms. Tehmeena Khan (Chief Executive)
Mr. Kashif Faruki
Mr. Faraz Ahmad
Mr. Mohammad Awais Qureshi
Mr. Mohammad Amin
Mr. Muhammad Saad Thaniana

CFO & Company Secretary

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

Share Registrar

Corptech Associates (Pvt.) Limited
7/3-G, Mushtaq Ahmed Gormani Road,
Gulberg II, Lahore
Phone: 042 - 35788097-98
Fax: 042 - 35755215

Bankers

Bank Al Falah Limited
Soneri Bank Limited

Legal Advisors

Ahmed & Qazi Advocates & Legal Consultants

Credit Rating Agency

JCR-VIS Credit Rating Company

Registered Office

10th Floor, BOP Tower,
10-B, Block E-2,
Gulberg III, Lahore
Phone: 042 - 35788097-98
Fax: 042 - 35755215

Karachi Office

D-41, Block 9,
Scheme V, Clifton, Karachi.
Phone: 021 - 35869233-35
Fax: 021 - 35869236

External Auditors

BDO Ebrahim & Company
Chartered Accountants
(Engagement Partner: Mr Zulfikar Causer)

Audit Committee

Mr. Muhammad Saad Thaniana (Chairman)
Mr. Mohammad Awais Qureshi
Mr. Mohammad Amin

**DIRECTORS' REPORT**

The Directors' of Safeway Mutual Fund Limited are pleased to present the quarterly financial statements of the Company for the quarter ended September 30, 2011.

Financial and Operating Performance

The KSE-100 closed at 11,762 for the quarter, down from 12,496, a decrease of 5.87%. The Fund's NAV declined from Rs. 12.16 to Rs. 11.69 or a negative of 3.87% in the same period. The Fund had a loss for the quarter ended September 30, 2011 of Rs. 25.390m, compared to a profit in the corresponding period of the last year of Rs. 13.769m. The quarterly EPS of the Fund was a negative Rs. 0.47 compared to a positive Rs. 0.25 in the corresponding period. This performance is summarized below:-

	Rupees in Thousands	
	3 months July-Sept 2011	3 months July-Sept 2010
Income	(20,987)	17,897
Operating expenses	4,403	4,128
Income before tax	(25,390)	13,769
Taxation	-	-
Income for the period	(25,390)	13,769
Earning per share (Rupee)		
With un-realized (diminution) / appreciation on remeasurement of investments	(0.47)	0.25
Without un-realized (diminution) / appreciation on remeasurement of investments	0.06	0.09

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

Future Outlook

Despite slow private sector activity on the back of low liquidity, expensive cost of borrowing and a weakening currency, selected stock market values are still cheap and there is limited room for downside. Upward re-pricing may be quicker as a lower inflation expectation in FY12 has led to a cut in the discount rate to 12%. While banks may suffer due to lower spreads, they may reconfigure their portfolio mix and increase corporate lending hence increasing spreads and providing liquidity to the private sector. On the back of this we are optimistic in cements due to rebuilding requirements within Pakistan and Afghanistan. We continue to like energy companies that offer US dollar linked revenues and strong to stable cash flows. Our emphasis will remain on companies that are next in line to market leaders due to significant valuation differences.

Mutual Fund Ranking

JCR-VIS Credit Rating Company Limited assessed the Company's 1 year, 2 years and 3 years performance ranking at 'MFR 3 Star' as at December 31, 2010.


Dividend

On approval of the Annual Audited Financial Statements for the financial year ended June 30, 2011, the Board of Directors recommended the distribution of a dividend of Rs. 1.12 per share to the shareholders of the Fund. This will be approved by the shareholders in the 17th Annual General Meeting on October 24, 2011.

Acknowledgement

The Board places on record its thanks to the regulatory authorities, the stock exchanges, the Mutual Funds Association of Pakistan, the Asset Manager, the Custodian and the bankers of the Fund 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


Tehmeena Khan
Chief Executive

Lahore
October 24, 2011



SAFEWAY MUTUAL FUND LIMITED

FUND MANAGER'S REPORT

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 2011 Annual Report.

Market Performance and Results of Operations

During the quarter ended September 30, 2011, the KSE-100 index declined by 734 points or a negative of 5.87% to close at 11,762 while the KSE-30 index declined by 3.16% to close at 11,221. The Fund's NAV declined from Rs. 12.16 to Rs. 11.69 or a negative of 3.87% during the same period. The Fund's earning for the quarter ended September 30, 2011 was a negative of Rs. 25.390m compared to a positive of Rs. 13.769m in the prior year. The earnings for the quarter represented a negative quarterly EPS of Rs. 0.47.

The quarter's stock market performance was dominated by events in the global economy. The US downgrade by S&P followed by heightened worries of default by Greece, Italy, Spain and Ireland led global stock markets to fall sharply to new lows for CY2011. The KSE-100 being down by 5.87% was one of the better markets in the world. On the local front there was chaos as well. Pakistan dropped out of the IMF program and the August 2011 flood in Sindh and violence in Karachi led to losses in agriculture, transport delays and plant shut downs due to labor absences. Despite these disturbing events investors responded to valuations in the light of good corporate results and dividend payouts, expectations that a global slowdown would mean lower oil prices hence giving relief to Pakistan's trade deficits, and lastly due to lower expected inflation in FY12.

However, we note that much of the investments came in shares of fertilizer companies whose shares rallied between 10% and 44%. This was due to a continuing favorable environment in fertilizer pricing while still receiving inputs at extremely subsidized prices. Much of your Fund's underperformance versus its peer group is due to no investments in this sector as we believed that the government would respond to this abnormal dynamic. We continue to hold this view.

Future Outlook

Despite slow private sector activity on the back of low liquidity, expensive cost of borrowing and a weakening currency, we continue to believe that selected stock market values are still cheap and there is limited room for further downside. Upward re-pricing may be quicker than we anticipated as a lower inflation expectation in FY12 has led SBP to cut discount rates to 12%. Banks may suffer due to lower spreads with this rate cut but we think that they will reconfigure their portfolio mix and increase corporate lending hence increasing spreads and providing liquidity to the private sector. On the back of this we are optimistic in cements due to rebuilding requirements within Pakistan and Afghanistan. We continue to like energy companies that offer US dollar linked revenues and strong to stable cash flows. Our emphasis will remain on companies that are next in line to market leaders due to significant valuation differences.

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

NIHAL CASSIM
Chief Executive Officer



SAFEWAY MUTUAL FUND LIMITED

**CONDENSED INTERIM STATEMENT OF ASSETS AND
LIABILITIES (UN-AUDITED)
AS AT SEPTEMBER 30, 2011**

	Note	Unaudited September 30, 2011	Audited June 30, 2011
(Rupees in thousand)			
ASSETS			
NON CURRENT ASSETS			
Long term deposits		2,615	2,615
CURRENT ASSETS			
Bank balances		35,498	995
Prepayments and other receivable		392	25
Short term investments	4	596,272	658,398
Dividend receivable		3,573	2,253
Income tax refundable		31	31
		<u>635,766</u>	<u>661,702</u>
TOTAL ASSETS		638,380	664,317
CURRENT LIABILITIES			
Remuneration payable to Asset Manager		1,034	1,118
Accrued expenses and other liabilities		757	1,220
		<u>1,791</u>	<u>2,338</u>
NET ASSETS		636,589	661,979
REPRESENTED BY :			
Authorized share capital			
60,000,000 (2011: 60,000,000) ordinary shares of Rs.10 each		<u>600,000</u>	<u>600,000</u>
Issued, subscribed and paid-up share capital			
54,450,000 (2011: 54,450,000) ordinary shares of Rs.10 each		544,500	544,500
Capital reserve			
Share premium account		33,000	33,000
Revenue reserve			
Unappropriated profit		59,089	84,479
CONTINGENCIES AND COMMITMENTS	5	<u>-</u>	<u>-</u>
SHAREHOLDERS' EQUITY		<u>636,589</u>	<u>661,979</u>
Rupees			
Net asset value per share		<u>11.69</u>	<u>12.16</u>

The annexed notes 1 to 9 form an integral part of these financial statements.

Jenmeena Khar

Chief Executive

[Signature]

Director



SAFEWAY MUTUAL FUND LIMITED

**CONDENSED INTERIM INCOME
STATEMENT (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2011**

	Note	July to September 2011	July to September 2010
----- Rupees in '000 -----			
INCOME			
Net capital gain on sale of investments		1,127	2,485
Net unrealized (diminution) / appreciation on investments at fair value through profit and loss		(28,418)	8,864
Dividend income		5,173	3,788
Return on Government treasury bills		469	-
Profit on bank account		661	2,760
		(20,987)	17,897
OPERATING EXPENSES			
Remuneration to Asset Manager		3,685	3,529
Annual fee - Securities and Exchange Commission of Pakistan		151	167
Settlement and custody charges		158	148
Bank charges		2	-
Professional fee and subscriptions		72	59
Auditors' remuneration		116	122
Directors' meeting attendance fee		30	-
Legal and professional charges		-	28
Brokerage and federal excise duties		188	70
Others		-	5
		4,403	4,128
(Loss) / income before tax		(25,390)	13,769
Taxation	6	-	-
(Loss) / income for the period		(25,390)	13,769
Earnings per share (Rupees):			
With unrealized (diminution) / appreciation on remeasurement of investments		(0.47)	0.25
Without unrealized (diminution) / appreciation on remeasurement of investments		0.06	0.09

The annexed notes 1 to 9 form an integral part of these financial statements.

Jenneera Khan

Chief Executive

Deel

Director



SAFEWAY MUTUAL FUND LIMITED

**CONDENSED INTERIM STATEMENT OF
COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2011**

	July - September 2011	July - September 2010
	----- Rupees in '000 -----	
(Loss) / income for the period	(25,390)	13,769
Other comprehensive income for the period	-	-
Total comprehensive (loss) / income for the period	<u>(25,390)</u>	<u>13,769</u>

The annexed notes 1 to 9 form an integral part of these financial statements.

Jenneena Khan

Chief Executive

Director



SAFeway MUTUAL FUND LIMITED

**CONDENSED INTERIM STATEMENT OF MOVEMENT IN
EQUITY AND RESERVES - 'PER SHARE' (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2011**

	July - September 2011	July - September 2010
	----- Rupees -----	
Net assets per share as at July 01, 2011	12.16	12.53
Net capital gain on sale of marketable securities	0.02	0.05
Net unrealized (diminution) / appreciation on remeasurement of equity investments at fair value through profit or loss	(0.52)	0.16
Other net operating income for the period	0.03	0.05
Net (loss) / income for the period	(0.47)	0.26
Net assets per share as at September 30, 2011	11.69	12.79

The annexed notes 1 to 9 form an integral part of these financial statements.

Jenmeena Khan

Chief Executive

Director



SAFEWAY MUTUAL FUND LIMITED

**CONDENSED INTERIM CASH FLOW
STATEMENT (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2011**

	July to September 2011	July to September 2010
	----- Rupees in '000 -----	
CASH FLOW FROM OPERATING ACTIVITIES		
(Loss) / income before tax	(25,390)	13,528
Adjustments:		
- Unrealized diminution / (appreciation) on remeasurement of investments at fair value through profit or loss	28,418	(8,881)
- Dividend income	(5,173)	(3,648)
- Remuneration of Asset Manager	3,685	3,293
	<u>1,540</u>	<u>4,292</u>
Decrease in current assets		
- Short term investments	33,708	15,453
- Prepayments and other receivables	(367)	(253)
	<u>33,341</u>	<u>15,200</u>
Decrease in liabilities		
- Accrued expenses and other liabilities	(462)	(3,433)
Cash generated from operations	<u>34,419</u>	<u>16,059</u>
- Dividend received	3,853	3,142
- Remuneration of Asset Manager	(3,769)	(3,267)
	<u>34,503</u>	<u>15,932</u>
Net cash generated from operating activities	<u>34,503</u>	<u>15,932</u>
Cash and cash equivalents at the beginning of the period	995	97,700
Cash and cash equivalents at the end of the period	<u>35,498</u>	<u>113,632</u>

The annexed notes 1 to 9 form an integral part of these financial statements.



Chief Executive



Director



SAFEWAY MUTUAL FUND LIMITED

**CONDENSED INTERIM DISTRIBUTION
STATEMENT (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2011**

	July - September 2011	July - September 2010
	----- Rupees in '000 -----	
Unappropriated income / (loss) brought forward	84,479	104,998
(Loss) / income for the period	(25,390)	13,769
Unappropriated income / (loss) carried forward	<u>59,089</u>	<u>118,767</u>

The annexed notes 1 to 9 form an integral part of these financial statements.



Chief Executive



Director



SAFeway MUTUAL FUND LIMITED

**CONDENSED STATEMENT OF
CHANGES IN EQUITY (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2011**

Issued, subscribed and paid-up capital	Capital reserve	Revenue reserve	Total
	Share premium	Unapprop- riated profit / (loss)	
.....Rupees in thousands.....			

Balance as at June 30, 2010	544,500	33,000	104,998	682,498
Total comprehensive income for the period	-	-	13,769	13,769
Balance as at September 30, 2010	544,500	33,000	118,767	696,267
Balance as at June 30, 2011	544,500	33,000	84,479	661,979
Total comprehensive income for the period	-	-	(25,390)	(25,390)
Balance as at September 30, 2011	544,500	33,000	59,089	636,589

The annexed notes 1 to 9 form an integral part of these financial statements.

Jenneena Khan

Chief Executive

[Signature]

Director



SAFEWAY MUTUAL FUND LIMITED

NOTES TO CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2011

1. LEGAL STATUS AND NATURE OF BUSINESS

Safeway Mutual Fund Limited is a public limited company incorporated in May 1994 under the Companies Ordinance, 1984 and was registered with the Securities and Exchange Commission of Pakistan (SECP) as an Investment Company under the Investment Companies and Asset Managers Rules, 1971 to carry on the business of a closed end investment company. The Company is now registered as a notified entity as per section 46 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008 ("The NBFC Regulation"). 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 (SFL) to act as its Asset Manager. SFL is duly licensed under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 ("The NBFC Rules") to act as an Asset Management Company. The Company primarily invests in shares of listed companies.

JCR-VIS Credit Rating Company Limited has assessed the Company's performance 1 year, 2 years and 3 years performance ranking at 'MFR 3 Star' as at December 31, 2010. The management quality rating of Safeway Fund Limited is AM4+.

2. BASIS OF PREPARATION

2.1 Statement of compliance

These condensed interim financial statements has been prepared in accordance with the requirements of the Companies Ordinance, 1984, the NBFC Rules and 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, however, are limited based on the requirements of the International Accounting Standard 34, Interim Financial Reporting. These condensed interim financial statements are unaudited and are being circulated to the shareholders in accordance with the requirements of section 245 of the Companies Ordinance, 1984 and requirements of section 52(b) of the NBFC Regulations.

2.2 Basis of measurement

These condensed interim financial statements have been prepared under the historical cost convention, except that certain financial assets have been included at fair value in accordance with the recognition criteria specified in the relevant IAS applicable to these assets and the requirements of the NBFC Rules and the NBFC Regulations.

2.3 Functional and presentation currency

These financial statements are presented in Pak Rupees which is Company's functional and presentation currency.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted and methods of computation followed in the preparation of these condensed interim financial statements are same as those for the preceding annual statements for the year ended June 30, 2011.



SAFEWAY MUTUAL FUND LIMITED

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

Name of the Investee Company	No of shares				Balance as at September 30, 2011				Percentage in relation to			
	As at July 01, 2011	Purchases during the period	Bonus / Rights	Sales during the period	As at September 30, 2011	Cost	Carrying Value	Appreciation / (diminution)	Market value as a percentage of net assets	Market value as a percentage of total investments	Market value as a percentage of fund capital of the investee company	
Shares of listed companies - Fully paid ordinary shares of Rs 10 each unless stated otherwise												
RELATED PARTIES												
Food Producers												
Shakarganj Mills Limited	2,118,785	-	-	-	2,118,785	16,930	13,433	10,382	(3,051)	1.63	3.05	1.74
						16,930	13,433	10,382	(3,051)	1.63	3.05	1.74
Industrial Metal and Mining												
Crescent Steel and Allied Products Ltd.	1,233,739	-	-	-	1,233,739	29,766	32,225	29,511	(2,714)	4.64	2.19	4.95
International Industries Limited	300,000	-	-	-	300,000	15,045	14,850	12,012	(2,838)	1.89	0.25	2.01
International Steels Limited	1,241,783	-	-	-	1,241,783	17,472	16,901	15,274	(1,627)	2.40	0.25	2.56
						62,283	63,976	56,797	(7,179)	8.92	2.69	9.53
Oil and Gas												
Pakistan Oilfields Limited	220,000	-	-	-	220,000	51,656	78,982	81,039	2,057	12.73	0.09	13.59
						51,656	78,982	81,039	2,057	12.73	0.09	13.59
OTHERS												
Fixed Line Telecommunication												
Pakistan Telecommunication Co. Ltd.	296,809	600,000	-	-	896,809	11,709	10,581	10,421	(160)	1.64	0.02	1.75
Wateen Telecom Limited	1,000,000	-	-	-	1,000,000	10,000	2,080	1,560	(520)	0.25	0.16	0.26
						21,709	12,661	11,981	(680)	1.88	0.18	2.01
Chemicals												
Engro Corporation Limited	-	100,000	-	100,000	-	-	-	-	-	-	-	-
Banks												
Askari Bank Limited	1,084,794	-	-	-	1,084,794	12,805	11,803	10,078	(1,725)	1.58	0.15	1.69
Bank Al Falah Limited	6,536,668	-	-	-	6,536,668	78,144	62,556	73,734	11,178	11.58	0.48	12.37
National Bank of Pakistan Limited	-	200,000	-	200,000	-	-	-	-	-	-	-	-
Samba Bank Limited	2,245,222	-	-	-	2,245,222	26,652	3,839	3,480	(359)	0.55	0.16	0.58
Soneri Bank Limited	1,469,294	2,500,000	-	-	3,969,294	18,076	17,442	19,092	1,650	3.00	0.49	3.20
United Bank Limited	1,066,568	-	-	-	1,066,568	59,074	66,031	64,143	(1,888)	10.08	0.09	10.76
						194,751	161,671	170,527	8,856	26.79	1.37	28.60



SAFEWAY MUTUAL FUND LIMITED

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

Name of the Investee Company	No of shares				Balance as at September 30, 2011			Percentage in relation to				
	As at July 01, 2011	Purchases during the period	Bonus / rights	Sales during the period	As at September 30, 2011	Cost	Carrying cost	Market Value	Appreciation / (diminution)	Market value as a percentage of net assets	Market value as a percentage of total market value of investments	Market value as a percentage of paid up capital of the investee company
Rupees in thousand												
Shares of listed companies - Fully paid ordinary shares of Rs 10 each unless stated otherwise												
Automobile & Parts												
Pak Suzuki Motor Company Limited	134,200	-	-	-	134,200	21,967	8,394	9,199	805	1.45	0.16	1.54
						21,967	8,394	9,199	805	1.45	0.16	1.54
Oil and Gas												
Pakistan Petroleum Limited	100,000	-	10,000	-	110,000	16,155	20,707	20,853	146	3.28	0.01	3.50
Pakistan State Oil Company Limited	236,438	-	-	-	236,438	69,376	62,557	60,192	(2,364)	9.46	0.14	10.09
						85,531	83,264	81,045	(2,219)	12.73	0.15	13.59
Financial Services												
Escorts Investment Bank Limited	75,110	-	-	-	75,110	294	145	113	(32)	0.02	0.17	0.02
Innovative Investment Bank Limited	14,003	-	-	-	14,003	-	-	-	-	-	-	-
Invest Capital Investment Bank Limited	493,822	-	-	-	493,822	448	158	143	(15)	0.02	0.17	0.02
						742	303	256	(47)	0.04	0.34	0.04
Construction and Materials												
D.G. Khan Cement Company Limited	3,221,572	-	-	-	3,221,572	93,505	74,064	66,268	(7,796)	10.41	0.74	11.11
						93,505	74,064	66,268	(7,796)	10.41	0.74	11.11



SAFEWAY MUTUAL FUND LIMITED

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

Name of the Investee Company	No of shares				Balance as at September 30, 2011			Percentage in relation to				
	As at July 01, 2011	Purchases during the period	Bonus / rights	Sales during the period	As at September 30, 2011	Cost	Carrying cost	Market Value	Appreciation / (diminution)	Market value as a percentage of net assets	Market value as a percentage of total market value of investments	Market value as a percentage of paid up capital of the investee company
Rupees in thousand												
Shares of listed companies - Fully paid ordinary shares of Rs 10 each unless stated otherwise												
Industrial Transport												
Pakistan National Shipping Corporation Limited	100,000	-	-	-	100,000	6,706	2,400	1,977	(423)	0.31	0.08	0.33
						6,706	2,400	1,977	(423)	0.31	0.08	0.33
Personal Goods												
Thal Limited	440,149	-	-	-	440,149	36,101	44,473	40,005	(4,468)	6.28	0.72	6.71
Nishat Mills Limited	727,923	50,000	-	50,000	727,923	45,540	36,114	35,006	(1,109)	5.50	0.21	5.87
The Crescent Textile Mills Limited	1,442,063	-	-	-	1,442,063	38,441	22,453	16,613	(5,840)	2.61	2.93	2.79
						120,083	103,040	91,624	(11,417)	14.39	3.86	15.37
Household Goods												
Pak Elektron Limited	1,087,500	-	-	-	1,087,500	18,750	7,210	5,851	(1,359)	0.92	0.89	0.98
						18,750	7,210	5,851	(1,359)	0.92	0.89	0.98
Electricity												
Altem Energy Limited	1,680,404	-	-	-	1,680,404	15,125	15,292	9,326	(5,965)	1.47	0.49	1.56
						15,125	15,292	9,326	(5,965)	1.47	0.49	1.56
Total - September 30, 2011	28,566,846	3,450,000	10,000	350,000	31,676,846	709,738	624,690	596,272	(28,418)			
Total - June 30, 2011	26,338,387	8,149,657	2,710,822	8,632,020	28,566,846	694,562	598,022	608,867	10,845			

4.1 Innovative Investment Bank Limited (formerly International Housing Finance Limited) (IIBL) is an unlisted company so its fair value can not be ascertained reliably. Based on the prudence principle of accounting the investment in shares of IIBL has been recorded at NIL value, being the carrying value of investments in CSIBL shares at the time of derecognition. SECP has passed an order for liquidation of IIBL.

4.2 4,949,871 shares of Bank Al Falah Limited, 1,445,537 shares of D.G.Khan Cement Company Limited and 200,000 shares of United Bank Limited have been pledged with National Clearing Company of Pakistan Limited (NCCPL) as collateral against trading facility at the Karachi Stock Exchange.



SAFEGWAY MUTUAL FUND LIMITED

5. CONTINGENCIES AND COMMITMENTS

5.1 Contingencies

- 5.1.1** Through the Finance Act, 2008 an amendment was made in section 2 (f) of the Workers' Welfare Fund Ordinance, 1971 (the WWF Ordinance) whereby the definition of 'Industrial Establishment' has been made applicable to any establishment to which West Pakistan Shops and Establishment Ordinance, 1969 applies. As a result of this amendment, it appears that WWF Ordinance has become applicable to all whose income exceeds Rs. 0.5 million in a tax year. Some CISs and The Central Depository Company of Pakistan Limited on behalf of funds under its trusteeship filed a petition before the Honorable High Court of Sindh on the grounds that mutual funds are not establishments and as a result not liable to pay contribution to WWF.

Subsequently, the Ministry of Labour and Manpower (the Ministry) vide its letter dated July 08, 2010 issued advice and clarifications which stated that WWF Ordinance does not have any provisions for the applicability of WWF on those entities whose incomes are exempt from income tax under any provisions of any law, and West Pakistan and West Pakistan Shops and Establishment Ordinance, 1969 is not applicable to any public listed company and any organized financial institutions including mutual funds because they are ruled and governed by separate laws.

Further, in a subsequent letter dated July 15, 2010, the Ministry clarified that "Mutual Fund(s) is a product which is being managed / sold by the Asset Management Companies which are liable to contribute towards Workers Welfare Fund under Section 4 of WWF Ordinance. However, the income on mutual fund(s), the product being sold, is exempted under the law *ibid*." Further, the Secretary (Income Tax Policy) Federal Board of Revenue issued a letter dated October 06, 2010 to the Members (Domestic Operation) North and South FBR. In the letter, reference was made to the clarification issued by the Ministry of Labour and Manpower stating that mutual funds are a product and their income are exempted under the law *ibid*.

The Secretary (Income Tax Policy) Federal Board of Revenue directed that the Ministry's letter may be circulated amongst field formation for necessary action. Following the issuance of FBR Letter, show cause notice which had been issued by Tax department for two mutual funds for payment of levy under WWF has been withdrawn. However, there have been instances whereby show cause notices under section 221 of the Income Tax Ordinance, 2001 have been issued to a number of mutual funds and we understand that MUFAP has requested Member Policy Direct Taxes for withdrawal of such show cause notices issued to such mutual funds.

On December 14, 2010, the Ministry filed its response to the constitutional petition pending in the Court. As per the legal counsel who is handling the case, there is contradiction between the above earlier letter, clarification of the Ministry and the response filed by the Ministry in the Court. This matter continues to be unresolved, however, in a remotely probable event, if the Collective Investment Schemes are considered as industrial establishment, the impact on the NAV per share will be Rs. 0.070 as of September 30, 2011.

- 5.1.2** For tax years 2006 and 2007, the taxation authorities have issued amended assessment orders under section 122(5A) of the Income Tax Ordinance, 2001 determining tax liability amounting to Rs. 1.816 million. The Company filed the appeals before the Commissioner of Inland Revenue (Appeals) [CIR(A)], who has decided the appeals against the Company. The Company has filed the appeals before the Appellate Tribunal, Inland Revenue, Lahore where the matter is pending for hearing. The management is confident that the appeals will be decided in favour of the Company.



SAFEGWAY MUTUAL FUND LIMITED

5.2 Commitment

There were no commitments as of the balance sheet date.

6. PROVISION FOR TAXATION

The company intends to avail the tax exemption under clause 99 of the Second Schedule to the Income Tax Ordinance, 2001 by distributing at-least ninety percent of its accounting income for the period as reduced by capital gains, whether realized or un-realized to its shareholders. Accordingly, no current tax liability for the period has been recognized in these financial statements.

7 TRANSACTION WITH CONNECTED PERSONS

Related parties include Safeway Fund Limited being the Asset Manager, Central Depository Company of Pakistan Limited being the Custodian, associated companies of the Manager and key management personnel.

The transactions with connected persons are in the normal course of business, at contracted rates and terms determined in accordance with market rates.

	July - September 2011	July - September 2010
	----- Rupees in '000 -----	

Transactions and balances with related parties are as follows:

7.1 Transactions during the period

Remuneration to Asset Manager		
Safeway Fund Limited	3,177	3,529
Settlement and custody charges		
Central Depository Company of Pakistan Limited	106	102
Commission Paid		
Cassim Investments (Private) Limited	47	15
Fees paid to Directors	30	-
Dividend income		
Crescent Steel and Allied Products Limited	1,851	1,234

7.2 Balance outstanding at the period end

Remuneration payable to Asset Manager		
Safeway Fund Limited	1,034	1,161
Settlement and custody charges payable to Custodian		
Central Depository Company of Pakistan Limited	28	45

8. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on October 24, 2011 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 comparison purposes. However, no significant re-arrangements have been made.
- 9.3 The bifurcation of undistributed income into realized and unrealized income at the beginning and end of the period as required by the NBFC Regulations has not been disclosed as such bifurcation is not practicable.

Chief Executive

Director