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## 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. The ordinary shares of the Company are listed with Karachi and Islamabad Stock Exchanges.

**Website and Email address**

www.safewayfund.com  
info@safewayfund.com

**Company Registration number**

0032559

**National Tax Number**

0698204-4

**Asset Management Company**

Safeway Fund Limited

**Custodian**

Central Depository Company  
of Pakistan Limited

**Internal Auditors**

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

**External Auditors**

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

**Board of Directors**

Mr. Anjum M. Saleem  
Ms. Tehmeena Khan  
Mr. Faraz Ahmad  
Mr. Kashif Pervez Faruki  
Mr. Mohammad Amin  
Mr. Muhammad Awais Qureshi  
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 Gurmani Road  
Gulberg III  
Lahore

**Bankers**

Bank Al Falah Limited  
Soneri Bank Limited

**Legal Advisors**

Ahmed & Qazi Advocates

**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

Chairman  
Chief Executive  
Director  
Director  
Director  
Director  
Director

**DIRECTORS' REPORT**

The Directors' of Safeway Mutual Fund Limited are pleased to present the quarterly financial statements of the Fund for the quarter and the nine months ended March 31st, 2011.

**Financial and Operating Performance**

During the quarter ended March 31 2010, the KSE-100 index decline by 212.92 points or 1.77% to close at 11,809.54 while the KSE-30 index decline by 26.74 points or 0.23% to close at 11,561.50. The Fund's NAV decline from Rs. 13.33 to Rs. 12.76 or a negative of 4.28% in the same period. On a year to date basis, the KSE-100 index rose by 21.47%, the KSE-30 rose by 20.98% and the Fund is up by 18.07%. The Fund had a loss for the quarter ended March 31, 2011 of Rs. 31.042m, compared to a profit in the corresponding period of the prior year of Rs. 29.318m. The quarterly EPS was Rs. (0.57), while the cumulative year to date EPS stands at Rs. 2.05. The performance for the quarter and nine months ended March 31, 2011 is summarized below:-

|                                  | January to March                |        | July to March |         |
|----------------------------------|---------------------------------|--------|---------------|---------|
|                                  | 2011                            | 2010   | 2011          | 2010    |
|                                  | ----- Rupees in Thousands ----- |        |               |         |
| <b>Income</b>                    | (26,733)                        | 33,606 | 124,523       | 212,834 |
| <b>Operating Expenses</b>        | 4,309                           | 4,288  | 12,930        | 12,397  |
|                                  | (31,042)                        | 29,318 | 111,593       | 200,437 |
| Taxation                         | -                               | -      | -             | -       |
| Income/(loss) after tax          | (31,042)                        | 29,318 | 111,593       | 200,437 |
| <b>Earnings/(loss) per share</b> | (0.57)                          | 0.54   | 2.05          | 3.68    |

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**

We expect strong earnings growth due to increased rural incomes. Earnings of corporates and large banks are expected to do well. A commodity based spike in inflation is a cause of concern however we believe that Pakistan should be entering a lower interest rate environment before the end of CY2011.

**Mutual Fund Ranking**

JCR-VIS Credit Rating Company Limited has assessed the Company's performance 1 year ranking at 'MFR 4' Star and two year and three years weighted average ranking at 'MFR 5' Star as at June 30, 2010.

**Approval of Directors**

The Company has submitted to the SECP an application for the approval of Mr. Faraz Ahmed and Mr. Kashif Faruki as directors of the Company. This application is currently under consideration.

**Acknowledgement**

The Board places on record its thanks to the regulatory authorities, the stock exchanges, the Mutual Funds Association of Pakistan, the Asset Management Company, 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*  
Tehmeena Khan  
Chief Executive

Lahore  
April 21, 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 Fund Manager's Report in the 2010 Annual Report.

### Market Performance and Results of Operations

During the quarter ended March 31, 2011, the KSE-100 index decline by 212.92 points or 1.77% to close at 11,809.54 while the KSE-30 index decline by 0.23% to close at 11,561.50. The Fund's NAV decline from Rs. 13.33 to Rs. 12.76 or a negative of 4.28% during the same period. On a year to date basis, the KSE-100 index rose by 21.47%, the KSE-30 rose by 20.98% and the Fund is up by 18.07%.

The Fund's performance suffered this quarter as our portfolio's cyclical companies yielded poor results. We continue to see value in our investee companies and realize that an uptick in the economic cycle is required improve performance. In the market the fertilizer sector was the only significant beneficiary - unfortunately the Fund had no investment in this sector.

On the economic front, there is a visible rise in the demand from rural areas. Fiscal managers have been active in cutting energy subsidies and implementing a flood surcharge to meet revenue projections. The SBP has been tolerant due to the improved fiscal management and has maintained the discount rate at 14%. Our focus will now be on seeing if these trends can sustain. Once fiscal confidence is achieved, we hope for attention on building dams and increasing the power capacity in the country.

### Future Outlook

We expect strong earnings growth due to increased rural incomes. Earnings of corporates and large banks are expected to do well. A commodity based spike in inflation is a cause of concern however we believe that Pakistan should be entering a lower interest rate environment before the end of CY2011.

### 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



**SAFEGWAY MUTUAL FUND LIMITED**

**CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES (UN-AUDITED) AS AT MARCH 31, 2011**

|  | Note | Unaudited<br>March 31,<br>2011 | Audited<br>June 30,<br>2010 |
|--|------|--------------------------------|-----------------------------|
| (Rupees in thousand)                   |      |                                |                             |
| <b>ASSETS</b>                          |      |                                |                             |
| <b>NON CURRENT ASSETS</b>              |      |                                |                             |
| Long term deposits                     |      | 2,615                          | 2,615                       |
| <b>CURRENT ASSETS</b>                  |      |                                |                             |
| Bank balances                          |      | 648                            | 100,373                     |
| Short term investments                 | 4    | 539,001                        | 579,764                     |
| Treasury bills                         |      | 145,507                        | -                           |
| Dividend receivable                    |      | 5,716                          | 1,225                       |
| Income tax refundable                  |      | 31                             | 31                          |
| Prepayments and other receivable       |      | 3,547                          | 742                         |
|  |      | <u>694,450</u>                 | <u>682,135</u>              |
| <b>TOTAL ASSETS</b>                    |      | <b>697,065</b>                 | <b>684,750</b>              |
| <b>LIABILITIES</b>                     |      |                                |                             |
| <b>CURRENT LIABILITIES</b>             |      |                                |                             |
| Remuneration payable to Asset Manager  |      | 1,128                          | 1,129                       |
| Accrued expenses and other liabilities |      | 945                            | 1,123                       |
|  |      | <u>2,073</u>                   | <u>2,252</u>                |
| <b>NET ASSETS</b>                      |      | <u><b>694,992</b></u>          | <u><b>682,498</b></u>       |
| <b>REPRESENTED BY :</b>                |      |                                |                             |
| Share Capital                          | 5    | 544,500                        | 544,500                     |
| Capital reserves                       |      |                                |                             |
| Share premium account                  |      | 33,000                         | 33,000                      |
| Revenue reserve                        |      |                                |                             |
| Unappropriated income                  |      | 117,492                        | 104,998                     |
| <b>CONTINGENCIES AND COMMITMENTS</b>   | 6    | -                              | -                           |
| <b>SHAREHOLDERS EQUITY</b>             |      | <u><b>694,992</b></u>          | <u><b>682,498</b></u>       |

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

*Jenmeena Khar*

Chief Executive

*[Signature]*

Director



**SAFEGWAY MUTUAL FUND LIMITED**

**CONDENSED INTERIM INCOME STATEMENT (UN-AUDITED)  
FOR THE QUARTER AND NINE MONTHS ENDED MARCH 31, 2011**

| Note   | January to March             |               | July to March                |                |
|--|------------------------------|---------------|------------------------------|----------------|
|  | 2011<br>(Rupees in thousand) | 2010          | 2011<br>(Rupees in thousand) | 2010           |
| <b>INCOME</b>  |                              |               |                              |                |
| Net gain on sale of investments  | 25,010                       | 39,644        | 45,831                       | 145,677        |
| Net unrealized (diminution) / appreciation on investments at fair value through profit or loss | (64,796)                     | (13,554)      | 45,036                       | 47,730         |
| Return on Treasury bills / sukuk certificate   | 3,302                        | -             | 3,302                        | 389            |
| Dividend income  | 8,416                        | 6,867         | 24,147                       | 11,156         |
| Profit on bank account   | 1,310                        | 649           | 6,182                        | 7,882          |
| Other income   | 25                           | -             | 25                           | -              |
|  | <u>(26,733)</u>              | <u>33,606</u> | <u>124,523</u>               | <u>212,834</u> |
| <b>OPERATING EXPENSES</b>  |                              |               |                              |                |
| Annual fee - Securities and Exchange   |                              |               |                              |                |
| Commission of Pakistan   | 166                          | 179           | 493                          | 499            |
| Settlement and custody charges   | 149                          | 194           | 451                          | 675            |
| Professional fees and subscription   | 93                           | 58            | 261                          | 167            |
| Auditors' remuneration   | 104                          | -             | 349                          | 184            |
| Directors' remuneration and traveling  | 45                           | 60            | 134                          | 213            |
| Printing and related costs   | 1                            | 18            | 81                           | 95             |
| Brokerage and federal excise duty  | 253                          | -             | 608                          | -              |
| Remuneration of Asset Manager  | 3,498                        | 3,777         | 10,375                       | 10,501         |
| Bank charges   | -                            | 2             | 50                           | 8              |
| Advertisement  | -                            | -             | 128                          | 55             |
|  | <u>4,309</u>                 | <u>4,288</u>  | <u>12,930</u>                | <u>12,397</u>  |
| (Loss) / income before taxation  | <u>(31,042)</u>              | <u>29,318</u> | <u>111,593</u>               | <u>200,437</u> |
| Taxation   | 7                            | -             | -                            | -              |
| (Loss) / income for the period   | <u>(31,042)</u>              | <u>29,318</u> | <u>111,593</u>               | <u>200,437</u> |
| Earnings per share (Rupees) - basic and diluted  | <u>(0.57)</u>                | <u>0.54</u>   | <u>2.05</u>                  | <u>3.68</u>    |

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

*Jenmeera Khar*

Chief Executive

*Deel*

Director



SAFEGWAY MUTUAL FUND LIMITED

**CONDENSED INTERIM STATEMENT OF  
COMPREHENSIVE INCOME (UN-AUDITED)  
FOR THE QUARTER AND NINE MONTHS ENDED MARCH 31, 2011**

|   | January to March     |               | July to March        |                |
|---|----------------------|---------------|----------------------|----------------|
|   | 2011                 | 2010          | 2011                 | 2010           |
|   | (Rupees in thousand) |               | (Rupees in thousand) |                |
| (Loss) / income for the period                        | (31,042)             | 29,318        | 111,593              | 200,437        |
| Other comprehensive income for the period             |                      |               |                      |                |
| Movement in available for sale of investments         | -                    | -             | -                    | 39,435         |
| Total comprehensive (loss) / income<br>for the period | <u>(31,042)</u>      | <u>29,318</u> | <u>111,593</u>       | <u>239,872</u> |

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

*Jenmeena Khan*

Chief Executive

Director



SAFEWAY MUTUAL FUND LIMITED

**CONDENSED INTERIM DISTRIBUTION  
STATEMENT (UN-AUDITED)  
FOR THE QUARTER AND NINE MONTHS ENDED MARCH 31, 2011**

|   | January to March             |                | July to March                |                |
|---|------------------------------|----------------|------------------------------|----------------|
|   | 2011<br>(Rupees in thousand) | 2010           | 2011<br>(Rupees in thousand) | 2010           |
| Unappropriated income / (loss) brought forward                          | 148,534                      | 166,581        | 104,998                      | (4,537)        |
| Final dividend for the year ended<br>June 30, 2010 at Rs.1.82 per share | -                            | -              | (99,099)                     | -              |
| (Loss) / income for the period  | (31,042)                     | 29,318         | 111,593                      | 200,437        |
| Unappropriated income carried forward                                   | <u>117,492</u>               | <u>195,899</u> | <u>117,492</u>               | <u>195,899</u> |

The annexed notes 1 to 10 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 AND NINE MONTHS ENDED MARCH 31, 2011**

|   | <u>July to March</u>        |                      |
|---|-----------------------------|----------------------|
|   | <b>2011</b>                 | <b>2010</b>          |
|   | <b>(Rupees in thousand)</b> |                      |
| <b>CASH FLOW FROM OPERATING ACTIVITIES</b>  |                             |                      |
| Income before taxation  | 111,593                     | 200,437              |
| Adjustments:  |                             |                      |
| Net unrealized (appreciation) in fair value of investments<br>at fair value through profit and loss | (45,036)                    | (47,730)             |
| Capital gain on sale of investments classified<br>as 'available for sale'                           | -                           | 62,646               |
| Dividend income   | (24,147)                    | (11,156)             |
| Mark up and other income  | (3,327)                     | (8,271)              |
| Remuneration of Asset Manager   | <u>10,375</u>               | <u>10,501</u>        |
|   | <b>49,458</b>               | <b>206,427</b>       |
| <b>(Increase) in current assets</b>   |                             |                      |
| Short term investments  | 85,799                      | (72,823)             |
| Treasury bills  | (145,507)                   | -                    |
| Receivable against sale of investment   | -                           | (37,116)             |
| Prepayments and other receivable  | (1,923)                     | (13,083)             |
|   | <b>(61,631)</b>             | <b>(123,022)</b>     |
| <b>(Decrease) in current liabilities</b>  |                             |                      |
| Accrued expenses and other liabilities  | (321)                       | (232)                |
| <b>Cash (used in) / generated from operations</b>   | <b>(12,494)</b>             | <b>83,173</b>        |
| Remuneration of Asset Manager   | (10,375)                    | (10,147)             |
| Mark up received  | 2,445                       | 7,941                |
| Dividend received   | <u>19,656</u>               | <u>6,546</u>         |
| Net cash (used in) / generated from operating activities  | <b>(768)</b>                | <b>87,513</b>        |
| <b>CASH FLOW FROM FINANCING ACTIVITIES</b>  |                             |                      |
| Dividend paid and net cash used in financing activities   | <u>(98,957)</u>             | -                    |
|   | <b>(98,957)</b>             | -                    |
| Net (decrease) / increase in cash and cash equivalents  | <b>(99,725)</b>             | <b>87,513</b>        |
| Cash and cash equivalents at the beginning of the period  | <u>100,373</u>              | <u>1,381</u>         |
| Cash and cash equivalents at the end of the period  | <u><b>648</b></u>           | <u><b>88,894</b></u> |

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

**Chief Executive**

**Director**



SAFEGWAY MUTUAL FUND LIMITED

**CONDENSED INTERIM STATEMENT OF MOVEMENT  
IN EQUITY AND RESERVES - 'PER SHARE' (UN-AUDITED)  
FOR THE QUARTER AND NINE MONTHS ENDED MARCH 31, 2011**

|   | January to March             |              | July to March                |              |
|---|------------------------------|--------------|------------------------------|--------------|
|   | 2011<br>(Rupees in thousand) | 2010         | 2011<br>(Rupees in thousand) | 2010         |
| Net assets per share as at the beginning of the period  | 13.33                        | 13.67        | 12.53                        | 9.80         |
| Dilution due to final dividend for the year ended June 30, 2010 - Rs. 1.82 per share                    | -                            | -            | (1.82)                       | -            |
| Net capital gain on sale of marketable securities   | 0.46                         | 0.73         | 0.84                         | 2.68         |
| Net unrealized (diminution) / appreciation in value of investments at fair value through profit or loss | (1.19)                       | (0.25)       | 0.83                         | 0.88         |
| Other net operating income for the period   | 0.16                         | 0.06         | 0.38                         | 0.13         |
| Net (loss) / income for the period  | (0.57)                       | 0.54         | 2.05                         | 3.69         |
| Movement in available for sale of investments   | -                            | -            | -                            | 0.72         |
| Net assets per share as at the end of the period  | <u>12.76</u>                 | <u>14.20</u> | <u>12.76</u>                 | <u>14.20</u> |

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

*Jenmeena Khar*

Chief Executive

Director



## SAFEWAY MUTUAL FUND LIMITED

### **NOTES TO CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED) FOR THE QUARTER AND NINE MONTHS ENDED MARCH 31, 2011**

#### **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 Asset Managers Rules, 1971 to carry on the business of a closed end investment company. The Company is registered as a notified entity as per section 46 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008. 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 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 ranking at 'MFR 4' Star and two year and three years weighted average ranking at 'MFR 5' Star as at June 30, 2010. SFL MQR is AM 4+.

#### **2. BASIS OF PREPARATION**

##### **2.1 Statement of compliance**

This condensed interim financial information of the Company for the nine months period ended March 31, 2011 has been prepared in accordance with the requirements of the International Accounting Standard 34 - Interim Financial Reporting, provisions of and directives issued under the Companies Ordinance, 1984, requirements of Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 and Non-Banking Finance Companies and Notified Entities Regulations, 2008. In case where requirements differ, the provisions of or directives of Companies Ordinance, 1984, Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003, and Non-Banking Finance Companies and Notified Entities Regulations, 2008 have been followed.

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 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 financial statements are same as those for the preceding annual statements for the year ended June 30, 2010.



## 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 March 31, 2011          |                      |         | Percentage in relation to |              |                             |  |  |  |
|---|---------------------|--|----------------|---------------------------------------|----------------------|---------|---------------------------|--------------|-----------------------------|--|--|--|
|   | As at July 01, 2010 | Purchases/ adjustments during the period | Bonus / rights | Sales / adjustments during the period | As at March 31, 2011 | Cost    | Carrying cost             | Market Value | Appreciation / (diminution) | Market values as a percentage of net assets of the company | Market values as a percentage of the paid-up capital of the investee company | Market values as a percentage of the market value of investments |
| Shares of listed companies - Fully paid ordinary shares of Rs 10 each unless stated otherwise |                     |  |                |                                       |                      |         |                           |              |                             |  |  |  |
| <b>RELATED PARTIES</b>  |                     |  |                |                                       |                      |         |                           |              |                             |  |  |  |
| <b>Food Producers</b>   |                     |  |                |                                       |                      |         |                           |              |                             |  |  |  |
| Shakarganj Mills Limited  | 2,118,785           | -  | -              | -                                     | 2,118,785            | 16,930  | 8,051                     | 12,268       | 4,217                       | 1.77   | 3.05   | 2.28   |
|   |                     |  |                |                                       |                      | 16,930  | 8,051                     | 12,268       | 4,217                       | 1.77   | 3.05   | 2.28   |
| <b>Industrial Metal and Mining</b>  |                     |  |                |                                       |                      |         |                           |              |                             |  |  |  |
| Crescent Steel & Allied Products Limited  | 1,233,739           | -  | -              | -                                     | 1,233,739            | 29,766  | 30,979                    | 33,311       | 2,332                       | 4.79   | 2.19   | 6.18   |
|   |                     |  |                |                                       |                      | 29,766  | 30,979                    | 33,311       | 2,332                       | 4.79   | 2.19   | 6.18   |
| <b>OTHERS</b>   |                     |  |                |                                       |                      |         |                           |              |                             |  |  |  |
| <b>Financial Services</b>   |                     |  |                |                                       |                      |         |                           |              |                             |  |  |  |
| Escorts Investment Bank Limited   | 75,110              | -  | -              | -                                     | 75,110               | 294     | 217                       | 176          | (41)                        | 0.03   | 0.17   | 0.03   |
| Innovative Investment Bank Limited (note 4.1)   | 14,003              | -  | -              | -                                     | 14,003               | -       | -                         | -            | -                           | -  | -  | -  |
| Invest Capital Investment Bank Limited  | 493,822             | -  | -              | -                                     | 493,822              | 448     | 420                       | 247          | (173)                       | 0.04   | 0.17   | 0.05   |
|   |                     |  |                |                                       |                      | 742     | 637                       | 423          | (214)                       | 0.07   | 0.34   | 0.08   |
| <b>Personal Goods</b>   |                     |  |                |                                       |                      |         |                           |              |                             |  |  |  |
| The Crescent Textile Mills Limited  | 1,442,063           | -  | -              | -                                     | 1,442,063            | 38,441  | 31,105                    | 22,597       | (8,508)                     | 3.25   | 2.93   | 4.19   |
|   |                     |  |                |                                       |                      | 38,441  | 31,105                    | 22,597       | (8,508)                     | 3.25   | 2.93   | 4.19   |
| <b>Industrial Metal and Mining</b>  |                     |  |                |                                       |                      |         |                           |              |                             |  |  |  |
| International Industries Limited  | -                   | 300,000                                  | -              | -                                     | 300,000              | 15,045  | 15,045                    | 15,873       | 828                         | 2.28   | 2.19   | 2.94   |
|   |                     |  |                |                                       |                      | 15,045  | 15,045                    | 15,873       | 828                         | 2.28   | 2.19   | 2.94   |
| <b>Banks</b>  |                     |  |                |                                       |                      |         |                           |              |                             |  |  |  |
| Allied Bank Limited   | -                   | 400,000                                  | -              | -                                     | 400,000              | -       | -                         | -            | -                           | -  | -  | -  |
| Bank Al Falah Limited (note 4.2)  | 6,536,668           | -  | -              | -                                     | 6,536,668            | 78,144  | 61,837                    | 64,190       | 2,353                       | 9.24   | 0.48   | 11.91  |
| National Bank of Pakistan Limited   | 2,245,222           | -  | -              | -                                     | 2,245,222            | 26,652  | 5,097                     | 3,839        | (1,258)                     | 0.55   | 0.16   | 0.71   |
| Samba Bank Limited  | 722,150             | 511,508                                  | -              | -                                     | 916,568              | 49,463  | 54,555                    | 56,369       | 1,814                       | 8.11   | 0.04   | 10.46  |
| United Bank Limited (note 4.2)  | -                   | -  | -              | -                                     | -                    | 154,259 | 121,489                   | 124,398      | 2,909                       | 17.90  | 0.68   | 23.08  |

Rupees in thousand

Shares of listed companies - Fully paid ordinary shares of Rs 10 each unless stated otherwise

#### RELATED PARTIES

#### Food Producers

Shakarganj Mills Limited

#### Industrial Metal and Mining

Crescent Steel & Allied Products Limited

#### OTHERS

#### Financial Services

Escorts Investment Bank Limited

Innovative Investment Bank Limited (note 4.1)

Invest Capital Investment Bank Limited

#### Personal Goods

The Crescent Textile Mills Limited

#### Industrial Metal and Mining

International Industries Limited

#### Banks

Allied Bank Limited

Bank Al Falah Limited (note 4.2)

National Bank of Pakistan Limited

Samba Bank Limited

United Bank Limited (note 4.2)



## 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 at March 31, 2011 |         |               | Percentage in relation to |                             |  |  |  |
|--|---------------------|--|--------------------------------------|---------------------------|---------|---------------|---------------------------|-----------------------------|--|--|--|
|  | As at July 01, 2010 | Purchases/ adjustments during the period | Sales/ adjustments during the period | As at March 31, 2011      | Cost    | Carrying cost | Market Value              | Appreciation / (diminution) | Market values as a percentage of net assets of the company | Market values as a percentage of the paid-up capital of the investee company | Market values as a percentage of the market value of investments |
| Rupees in thousand   |                     |  |                                      |                           |         |               |                           |                             |  |  |  |
| <b>Shares of listed companies - Fully paid ordinary shares of Rs 10 each unless stated otherwise</b> |                     |  |                                      |                           |         |               |                           |                             |  |  |  |
| <b>General Industrials</b>   |                     |  |                                      |                           |         |               |                           |                             |  |  |  |
| Thal Limited (ordinary share of Rs 5 each)   | 366,791             | -  | 73,358                               | 440,149                   | 36,101  | 34,823        | 47,307                    | 12,484                      | 6.81   | 0.72   | 8.78   |
|  |                     |  |                                      |                           | 36,101  | 34,823        | 47,307                    | 12,484                      | 6.81   | 0.72   | 8.78   |
| <b>Construction and Materials</b>  |                     |  |                                      |                           |         |               |                           |                             |  |  |  |
| DG Khan Cement Company Limited (note 4.2)  | 2,934,644           | -  | 250,000                              | 2,684,644                 | 82,766  | 63,411        | 69,076                    | 5,665                       | 9.94   | 0.74   | 12.82  |
| DG Khan Cement Company Limited - Right   | -                   | -  | 536,928                              | 536,928                   | -       | -             | 3,066                     | 3,066                       | 0.44   | 0.74   | 0.57   |
| Lucky Cement Limited   | 898,579             | -  | 898,579                              | -                         | 82,766  | 63,411        | 72,142                    | 8,731                       | 10.38  | 1.48   | 13.39  |
|  |                     |  |                                      |                           | 82,766  | 63,411        | 72,142                    | 8,731                       | 10.38  | 1.48   | 13.39  |
| <b>Electricity</b>   |                     |  |                                      |                           |         |               |                           |                             |  |  |  |
| Altern Energy Limited  | 1,680,404           | -  | -                                    | 1,680,404                 | 15,125  | 17,359        | 15,124                    | (2,235)                     | 2.18   | 0.49   | 2.81   |
|  |                     |  |                                      |                           | 15,125  | 17,359        | 15,124                    | (2,235)                     | 2.18   | 0.49   | 2.81   |
| <b>Oil &amp; Gas</b>   |                     |  |                                      |                           |         |               |                           |                             |  |  |  |
| Attock Petroleum Limited   | 35,013              | -  | 7,002                                | 42,015                    | -       | -             | -                         | -                           | -  | -  | -  |
| Pakistan Oilfields Limited   | 320,000             | -  | 100,000                              | 220,000                   | 51,656  | 47,498        | 71,520                    | 24,022                      | 10.29  | 0.13   | 13.27  |
| Pakistan Petroleum Limited   | 145,000             | -  | 29,000                               | 100,000                   | 15,770  | 15,343        | 21,141                    | 5,798                       | 3.04   | 0.01   | 3.92   |
| Pakistan State Oil Company Limited   | 236,438             | -  | -                                    | 236,438                   | 69,376  | 61,521        | 65,614                    | 4,093                       | 9.44   | 0.14   | 12.17  |
|  |                     |  |                                      |                           | 136,802 | 124,362       | 158,275                   | 33,913                      | 22.77  | 0.28   | 29.36  |
| <b>Automobile &amp; Parts</b>  |                     |  |                                      |                           |         |               |                           |                             |  |  |  |
| Pak Suzuki Motor Company Limited   | 134,200             | -  | -                                    | 134,200                   | 21,967  | 10,638        | 9,323                     | (1,315)                     | 1.34   | 0.16   | 1.73   |
|  |                     |  |                                      |                           | 21,967  | 10,638        | 9,323                     | (1,315)                     | 1.34   | 0.16   | 1.73   |
| <b>Non Life Insurance</b>  |                     |  |                                      |                           |         |               |                           |                             |  |  |  |
| Adamjee Insurance Company Limited  | -                   | 25,000                                   | -                                    | 25,000                    | -       | -             | -                         | -                           | -  | -  | -  |
|  |                     |  |                                      |                           | -       | -             | -                         | -                           | -  | -  | -  |



## 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 March 31, 2011         |                      |                | Percentage in relation to |                |                             |   |   |   |
|--|---------------------|--|----------------|--------------------------------------|----------------------|----------------|---------------------------|----------------|-----------------------------|---|---|---|
|  | As at July 01, 2010 | Purchases/ adjustments during the period | Bonus/ rights  | Sales/ adjustments during the period | As at March 31, 2011 | Cost           | Carrying cost             | Market Value   | Appreciation / (diminution) | Market value as a percentage of net assets of the company | Market value as a percentage of the paid-up capital of the investee company | Market value as a percentage of total market value of investments |
| Rupees in thousand   |                     |  |                |                                      |                      |                |                           |                |                             |   |   |   |
| <b>Shares of listed companies - Fully paid ordinary shares of Rs 10 each unless stated otherwise</b> |                     |  |                |                                      |                      |                |                           |                |                             |   |   |   |
| <b>Household Goods</b>   |                     |  |                |                                      |                      |                |                           |                |                             |   |   |   |
| Pak Elektron Limited   | -                   | 1,087,500                                | -              | -                                    | 1,087,500            | 18,750         | 18,750                    | 15,388         | (3,362)                     | 2.21  | 0.93  | 2.85  |
| Pak Elektron Limited - Preference shares   | 1,875,000           | -  | -              | 1,875,000                            | -                    | -              | -                         | -              | -                           | -   | -   | -   |
|  |                     |  |                |                                      |                      | 18,750         | 18,750                    | 15,388         | (3,362)                     | 2.21  | 0.93  | 2.85  |
| <b>Industrial Transportation</b>   |                     |  |                |                                      |                      |                |                           |                |                             |   |   |   |
| Pakistan National Shipping Corporation Limited   | 100,000             | -  | -              | -                                    | 100,000              | 6,706          | 3,989                     | 3,100          | (889)                       | 0.45  | 0.08  | 0.58  |
|  |                     |  |                |                                      |                      | 6,706          | 3,989                     | 3,100          | (889)                       | 0.45  | 0.08  | 0.58  |
| <b>Fixed Line Telecommunication</b>  |                     |  |                |                                      |                      |                |                           |                |                             |   |   |   |
| Pakistan Telecommunication Company Limited   | 700,000             | 35,000                                   | -              | 438,191                              | 296,809              | 5,349          | 5,306                     | 5,046          | (260)                       | 0.73  | 0.01  | 0.94  |
| Wateen Telecom Limited   | 1,000,000           | -  | -              | -                                    | 1,000,000            | 10,000         | 6,230                     | 2,850          | (3,380)                     | 0.41  | 0.16  | 0.53  |
|  |                     |  |                |                                      |                      | 15,349         | 11,536                    | 7,896          | (3,640)                     | 1.14  | 0.17  | 1.47  |
| <b>Chemicals</b>   |                     |  |                |                                      |                      |                |                           |                |                             |   |   |   |
| Arif Habib Corporation Limited   | -                   | 250,000                                  | -              | 250,000                              | -                    | -              | -                         | -              | -                           | -   | -   | -   |
| Fatima Fertilizer Company Limited  | -                   | -  | 75,000         | 75,000                               | -                    | -              | -                         | -              | -                           | -   | -   | -   |
| Lottee Pakistan PTA Limited  | 529,000             | 116,500                                  | -              | 645,500                              | -                    | -              | -                         | -              | -                           | -   | -   | -   |
|  |                     |  |                |                                      |                      | -              | -                         | -              | -                           | -   | -   | -   |
| <b>Real Estate Investment and Services</b>   |                     |  |                |                                      |                      |                |                           |                |                             |   |   |   |
| Pace Pakistan Limited  | 501,756             | -  | -              | -                                    | 501,756              | 2,666          | 1,791                     | 1,576          | (215)                       | 0.23  | 0.18  | 0.29  |
|  |                     |  |                |                                      |                      | 2,666          | 1,791                     | 1,576          | (215)                       | 0.23  | 0.18  | 0.29  |
|  | <b>26,338,387</b>   | <b>3,075,508</b>                         | <b>721,288</b> | <b>5,740,375</b>                     | <b>24,394,808</b>    | <b>591,415</b> | <b>493,965</b>            | <b>539,001</b> | <b>45,036</b>               |   |   |   |

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 in the stock exchange.



## SAFEGWAY MUTUAL FUND LIMITED

Unaudited  
March 31,  
2011  
Audited  
June 30,  
2010  
(Rupees in thousand)

### 5. SHARE CAPITAL

|   |                |                |
|---|----------------|----------------|
| Authorized share capital<br>60,000,000 (June 30, 2010: 600,000,000)<br>ordinary shares of Rs.10 each              | <u>600,000</u> | <u>600,000</u> |
| Issued, subscribed and paid-up capital<br>54,450,000 (June 30, 2010: 54,450,000)<br>ordinary shares of Rs.10 each | <u>544,500</u> | <u>544,500</u> |

### 6. CONTINGENCIES AND COMMITMENTS

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 Collective Investment Schemes (CISs) 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.



## SAFEGWAY MUTUAL FUND LIMITED

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. 0.081 as of March 31, 2011.

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 has filed an appeal before the Commissioner of Inland Revenue (Appeals) [CIR(A)], which has been heard against which the order is still pending. The management is confident that the appeal will be decided in favour of the Company.

### 7. 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 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.

### 8. TRANSACTIONS WITH CONNECTED PERSONS

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

|  | January to March     |       | July to March        |        |
|--|----------------------|-------|----------------------|--------|
|  | 2011                 | 2010  | 2011                 | 2010   |
|  | (Rupees in thousand) |       | (Rupees in thousand) |        |
| <b>Transactions during the period</b>          |                      |       |                      |        |
| <b>Remuneration to Asset Manager</b>           |                      |       |                      |        |
| Safeway Fund Limited                           | 3,498                | 3,777 | 10,375               | 10,501 |
| <b>Remuneration to Custodian</b>               |                      |       |                      |        |
| Central Depository Company of Pakistan Limited | 99                   | 138   | 308                  | 498    |
| <b>Commission and fees paid</b>                |                      |       |                      |        |
| Cassim Investments (Pvt.) Limited              | 37                   | 95    | 120                  | 624    |
| Fees paid to Directors                         | 45                   | 30    | 105                  | 90     |
| <b>Dividend paid</b>                           |                      |       |                      |        |
| Shakarganj Mills Limited                       | -                    | -     | 30,175               | -      |
| Crescent Steel & Allied Products Limited       | -                    | -     | 14,489               | -      |
| Safeway Fund Limited                           | -                    | -     | 14,455               | -      |
| <b>Dividend income</b>                         |                      |       |                      |        |
| Crescent Steel & Allied Products Limited       | 1,234                | 1,234 | 2,467                | 1,234  |
| Sale of marketable securities                  | -                    | -     | -                    | 92,010 |
| Purchase of marketable securities              | -                    | -     | -                    | 86,498 |



## SAFEGWAY MUTUAL FUND LIMITED

|  | Unaudited<br>March 31,<br>2011 | Audited<br>June 30,<br>2010 |
|--|--------------------------------|-----------------------------|
| <b>Balances outstanding at period end</b>      |                                |                             |
| <b>Remuneration payable to Asset Manager</b>   |                                |                             |
| Safeway Fund Limited                           | 1,128                          | 1,129                       |
| <b>Remuneration to Custodian</b>               |                                |                             |
| Central Depository Company of Pakistan Limited | 25                             | 36                          |

### 9. DATE OF AUTHORIZATION

These financial statements have been authorized for issue on April 21, 2011 by the Board of Directors of the Company.

### 10. GENERAL

- 10.1 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.
- 10.2 Figures have been rounded off to the nearest thousand rupees.
- 10.3 Comparative figures for brokerage and federal excise duty have not been presented as these were not practically ascertainable.

*Jenneera Khan*

Chief Executive

Director