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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

Stock Exchange Listing

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

Website and Email address

www.safewayfund.com

info@safewayfund.com

Company Registration number

0032559

National Tax Number

0698204-2

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)

CFO & Company Secretary

Ms. Tehmeena Khan

Email: tehmeena.khan@safewayfund.com

Share Registrar

Corptec Associates (Pvt) Limited
7/3-G, Mushtaq Ahmed Gormani Road,
Gulberg II, 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

Karachi Office

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



Board of Directors and their Sub Committees

Board of Directors

Mr. Anjum M. Saleem	Chairman
Ms. Tehmeena Khan	Chief Executive Officer
Mr. Amjad Farooq	Director
Mr. Faraz Ahmad	Director
Mr. Mohammad Awais Qureshi	Director
Mr. Mohammad Amin	Director
Mr. Mohammad Saad Thaniana	Director

Audit Committee

The terms of reference for the Audit Committee is regulated by the Audit Committee Charter which is based on the guidelines outlined in the Code of Corporate Governance.

Mr. Mohammad Saad Thaniana	Chairman - Non Executive Director
Mr. Mohammad Awais Qureshi	Member - Non Executive Director
Mr. Mohammad Amin	Member - Non Executive Director

Investment Committee

The Investment Committee's mandate is to continually monitor and review the Company's asset allocation in view of prevailing market conditions and identify opportunities and decisions which are required to both safeguard and strengthen the shareholders investment. The conduct of the Investment Committee is regulated by a Board approved Investment Committee Charter.

Mr. Nihal Cassim	Chief Executive Officer of the AMC
Ms. Tehmeena Khan	Chief Executive Officer
Mr. M. Turab Hasny	Financial Accountant of the AMC

Management Committee

The Management Committee's mandate is to:

- Monitor the overall planning and development of the Company to ensure that the Company is moving in the direction defined in the vision and mission statement.
- Monitor the progress on systems development and technological initiatives.

Mr. Anjum Saleem	Chairman
Ms. Tehmeena Khan	Chief Executive Officer



SAFEWAY MUTUAL FUND LIMITED

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 16th Annual General Meeting of Safeway Mutual Fund Limited, a closed end mutual fund incorporated under the laws of Pakistan and having its registered office at 10-B, Block E-2, Gulberg III, Lahore will be held at 3:30 pm on October 28, 2010 at 9th Floor, BOP Tower 10-B, Block E-2, Gulberg III, Lahore to transact the following business:

ORDINARY BUSINESS

- 1) To receive, consider and adopt the Audited Accounts together with the Directors' and Auditor's reports thereon for the year ended June 30, 2010.
- 2) To consider and approve a final cash dividend of 18.2% equal to Rs. 1.82 per share for the year ended June 30, 2010 as recommended by the Board of Directors.
- 3) To appoint auditors of the Company and fix their remuneration for the financial year ending June 30, 2011.

SPECIAL BUSINESS

To consider and if deem appropriate, approve with or without modifications the amendments in clause 103 of the Articles of Association of the Company relating to attendance of Audit Committee and Board of Directors meetings through teleconferencing and videoconferencing.

A statement under Section 160(1)(b) of the Companies Ordinance, 1984 and drafts of the resolutions proposed to be considered by the shareholders at the Annual General meeting of the company as required by Section 164(1) of the Companies Ordinance, 1984 are enclosed.

Registered Office
10th Floor, 10-B, Block E-2
Gulberg III
Lahore

By Order of the Board

Tehmeena Khan
Company Secretary

NOTES:

- (i) All members are entitled to attend and vote at the Meeting.
- (ii) A member entitled to attend and vote at this meeting may appoint another member as his/her proxy to attend and vote.
- (iii) The instrument of proxy and the power of attorney or other commission (if any) under which it is signed, or notorially certified copy of that power of attorney or authority to be effective must be deposited at the Registered Office of the company not less than 48 hours before the time for holding the Meeting.
- (iv) Members are advised to bring their Computerized National Identity Cards along with CDC Participant ID and account number at the meeting venue.



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- (v) If any proxies are granted by any such shareholders, the same must be accompanied with attested copies of the National Identity Cards of the grantors and the signatures on the proxy form should be the same as that appearing on the Computerized National Identity Cards.
- (vi) The Share transfer books of the Company will remain closed from October 21, 2010 to October 28, 2010 (both days inclusive). Physical transfers and CDC Transaction IDs received in order at the at the Registered Office of the Company up to the close of business on October 20, 2010 will be considered as on time for the determination of entitlement of shareholder to attend and vote at the meeting.
- (vii) Members are required to immediately notify regarding any changes in their registered address.

Explanatory Statement Required under Section 160(1)(b) of the Companies Ordinance, 1984 in respect of the Special Business and Draft Resolutions

Material facts concerning the special business to be transacted at the Annual General Meeting and the proposed resolutions thereto are given below:

Amendments in Articles of Association

The Board of Directors, at their recent meeting, considered that as permitted by the regulatory framework, the Articles of Association of the Company be amended to allow the Directors to attend meetings through electronic mode. This is a good governance tool which allows Directors to participate in meetings even if they are unable to travel. The Board, therefore unanimously resolved to approve, and place before the shareholders at their general meeting for approval by special resolution, an amendment to the Articles of Association of the Company.

A comparative statement showing proposed amendments to the Articles of Association of the Company along-with the draft resolutions to be considered and resolved (with or without modifications) are given below:

Clause 103 – Existing Clause:

The Directors may meet together for the dispatch of business, adjourn and otherwise regulate their meetings and proceedings as they think fit. The Directors shall meet at least once in a year.

The amended Clause 103 to read as follows:-

The Directors may meet together for the dispatch of business, adjourn and otherwise regulate their meetings, as they think fit, in accordance with the Ordinance, the Code and the listing Requirements and subject to such minimum meetings as may be prescribed by law. Meetings may be held using any technology consented to by all the Directors, including but not limited to telephone and video conferencing. The consent may be a standing one, withdrawable by a Director only within a reasonable period of time before the meeting. It shall not be necessary to give notice of a meeting of Directors to any Director for the time being absent from Pakistan .



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Draft Resolutions

Resolved that the amendment in the Articles of Association of the Company as recommended by the Directors and as sent to the member along with the notice and as tabled before the Annual General Meeting be and hereby authorized.

Resolved further that the Chief Executive Officer and Company Secretary be and are hereby singly / jointly authorized to:-

- (a) take all steps and do all such acts, things and deeds necessary or expedient for the purpose of giving effect to the intent of the above resolution;
- (b) execute and delivery applications, petitions, forms, affidavits, affirmations and other documents as may be required for teh purpose of giving effect to the intent of the above resolutions.

None of the directors have any interest in this special business other than to the extent explained above.



SAFEGWAY MUTUAL FUND LIMITED

PATTERN OF SHAREHOLDING

Pattern of Holding of the Shares held by the Shareholders as at June 30, 2010 is as follows:

No. of Shareholders	Shareholding		Total Shares held
	From	To	
60	1	100	2,505
39	101	500	13,515
75	501	1,000	62,116
22	1,001	5,000	46,109
4	5,001	10,000	28,162
4	10,001	15,000	51,400
2	15,001	20,000	32,100
2	35,001	40,000	78,500
2	45,001	50,000	93,000
1	50,001	55,000	53,852
2	70,001	75,000	144,074
2	90,001	95,000	187,500
1	200,001	205,000	202,740
1	270,001	275,000	270,232
1	375,001	380,000	375,979
1	520,001	525,000	522,905
1	645,001	650,000	650,000
1	860,001	865,000	860,641
1	1,600,001	1,605,000	1,601,045
1	3,420,001	3,425,000	3,421,760
1	6,665,001	6,670,000	6,668,000
1	6,670,001	6,675,000	6,672,000
1	7,420,001	7,425,000	7,421,143
1	7,885,001	7,890,000	7,888,459
1	7,940,001	7,945,000	7,944,263
1	9,155,001	9,160,000	9,158,000
229			54,450,000



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Categories of Shareholders as at June 30, 2010:

Categories of Shareholder	Shares Held	% age
Directors, Chief Executive Officer, Their Spouse and Children		
Mr. Anjum M. Saleem	1,200	0.00
Mr. Mohammad Amin	500	0.00
Mr. Muhammad Awais Qureshi	500	0.00
Mr. Muhammad Saad Thaniana	500	0.00
	<u>2,700</u>	<u>0.00</u>
Associated Companies, Undertakings & Related Parties		
Crescent Steel And Allied Products Ltd.	7,960,763	14.62
Safeway Fund Limited	7,888,459	14.49
Shakarganj Mills Limited	16,579,402	30.45
	<u>32,428,624</u>	<u>59.56</u>
Banks, DFI's, NBFIs		
Banks, DFI's, NBFIs	5,022,806	9.22
	<u>5,022,806</u>	<u>9.22</u>
Other Companies		
Other Companies	1,371,067	2.52
	<u>1,371,067</u>	<u>2.52</u>
General Public		
A. Local	15,624,803	28.70
	<u>15,624,803</u>	<u>28.70</u>
	<u>54,450,000</u>	<u>100.00</u>
Shareholders Holding More Than 10.00%		
Crescent Steel And Allied Products Ltd.	7,960,763	14.62
Safeway Fund Limited	7,888,459	14.49
Shakarganj Mills Limited	16,579,143	30.45
Durain F. Cassim	6,668,000	12.25
Firozuddin A. Cassim	6,672,000	12.25



Statement of Governance, Ethics and Business Practices

- 1) The Fund's primary objective is to conduct its business efficiently to achieve the objective defined in its vision and mission statement
- 2) Our Vision is to be renowned as a trusted name in fund management and to be an active participant in the growth and development of the asset management sector.
- 3) Our Mission is to continuously pursue wealth optimization of all our stakeholders by developing and maintaining a sound system based control environment, retaining talent and ensuring compliance with all regulatory and governance requirements to facilitate the achievement of superior investment results.
- 4) We define our stakeholders and our responsibility to them as follows:-

Shareholders

- To protect our shareholders investment and to provide our shareholder an appropriate return on a risk adjusted basis.

Employees

- To respect the individuality and rights of our employees by providing them with a competitive and mutually agreed remuneration and a professional, safe and healthy work environment where the individual is encouraged and facilitated in his or her efforts to develop as an individual and a professional.

Mutual Fund Industry

- To conduct business and activities in a manner which will increase confidence in the mutual fund industry
- To participate in the education of the public on the merits of the mutual fund industry
- To participate and support all initiatives to strengthen the healthy performance, governance and development of the mutual fund industry.

Business Partners

- To seek mutually beneficial relationships with contractors and suppliers of goods and services.
- The Fund will not conduct business with any provider known to be involved in irregular business activities or who is in deliberate non compliance of the laws of the Federal Government and its departments.

Society

- To conduct business and activities in a manner expected of a corporate citizen including the support of human rights and respect for the rule of law.
- The Fund recognizes that by fully addressing the needs of all its defined stakeholders, it will be able to indirectly benefit the society at large.
- The Asset Management Company will make financial or kind donations to a recognized charity on an annual basis as proposed by the Board of Directors.



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Brokers

- To give equal preference to all brokers and to select and conduct business with brokers on the basis of reputation, beneficial services and competitive rates.
- 5) We conduct our business in a responsible manner and with honesty and integrity. All transactions are required to comply with the prevailing laws and must fair and accurately reflected in the financial statements.
 - 6) We believe in operating at all times within the ambit of the Regulatory Framework and Best Industry Practices including the Code of Corporate Governance and the governance and ethical principles promoted by the Mutual Funds Association of Pakistan and the CFA Institute of Pakistan and therefore we expect all our business partners to uphold these concepts in a transparent manner.
 - 7) We believe in investing in only ethical investments, as defined by the Board of Directors which specifically excludes businesses publicly involved in the production or sale of non-halaal meat, consumption of alcohol, consumption of tobacco gambling / casinos, political affiliates, and pornography.
 - 8) We do not use bribes or gifts or unfair preference as an instrument of business for financial gain. The Board of Directors, office bearers and the Management Company and its employees are not authorize to give or receive any gift or payment which may be construed as such
 - 9) The Board of Directors, officer bearers and the Management Company and its employees are prohibited from entering into personal activities or financial interest which conflict with their responsibility to the Fund.
 - 10) Our overall corporate strategy is:-
 - To become the Asset Management Company of choice by delivering consistently superior investment performance.
 - To expand our horizon to offer a wide range of financial services to our stakeholders.
 - To recruit, develop and retain top-quality human resources to be better able to create value for our stakeholders.
 - To promote transparency in all aspects of operations and uphold the highest standards of ethical and professional values at all times.
 - To achieve operational excellence by benchmarking our activities against Best Industry Practices and developing efficient and effective support systems.
 - To create value for all our stakeholders by creating wealth and contributing positively towards the economic growth and social development of Pakistan.



Statement of Compliance with the Code of Corporate Governance

This statement is being presented to comply with the Code of Corporate Governance contained in listing regulations of Karachi Stock Exchange (Guarantee) Limited, Lahore Stock Exchange and Islamabad Stock Exchange for the purpose of establishing a framework of good corporate governance, whereby a listed Company is managed in compliance with the best corporate governance.

The Company has applied the principles contained in the Code in the following manner:

- 1 The Company encourages representation of independent non-executive Directors and Directors representing minority interests on its Board. At present the Board includes one executive Director (the Chief Executive Officer) and six non-executive Directors including the Chairman of the Board.
- 2 The Directors have confirmed that none of them is serving as a Director in more than ten listed Companies, including this Company.
- 3 All the resident Directors of the Company are registered as taxpayers and none of them has been convicted by a court of competent jurisdiction as a defaulter in payment of loan to a banking Company, a DFI or an NBFC. None of the Directors are a member or defaulter of the Stock Exchange.
- 4 No casual vacancy occurred during the year ended June 30, 2010.
- 5 The Company has prepared a 'Statement of Ethics and Business Practices', which has been signed by all the Directors and Employees of the Company.
- 6 The Board has adopted a Vision and Mission Statement, Overall corporate strategy and significant policies of the Company. The most significant investment policy of the Company is defined in Memorandum and Articles of Association. A complete record of particulars of the above specified policies along with the dates on which they were approved or amended has been maintained.
- 7 All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, have been taken by the Board of Directors.
- 8 The meetings of the Board were presided over by a Chairman and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
- 9 The Directors were apprised regarding significant matters relating to the Code of Corporate Governance through locally and internationally published material on corporate governance. An interactive course was also held to discuss the requirements of the Code of Corporate Governance with the directors.
- 10 The Board approved the appointment of the Company Secretary, Chief Financial Officer and Internal Audit Firm along with the terms and conditions of the employment, as recommended by the Chief Executive Officer.
- 11 The Directors' Report for this year has been prepared in compliance with the requirements of the code and fully describes the salient matters required to be disclosed.



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- 12 The financial statements of the Company were duly endorsed by the Chief Executive Officer and Chief Financial Officer before approval of the Board.
- 13 The Directors, Chief Executive and Executives do not hold any interest in the shares of the Company except to the extent of nominal shareholding required by the Memorandum and Articles of Association, which is disclosed in the pattern of shareholding.
- 14 The Company has complied with all the corporate and financial reporting requirements of the Code.
- 15 The related party transactions have been placed before the audit committee and approved by the board of Directors.
- 16 The Board has formed an Audit Committee comprising of three non – executive members including the Chairman of the Audit Committee.
- 17 The meetings of the Audit Committee were held at least once in every quarter prior to approval of the interim and final results of the Company and as required by the Code. The Audit Committee's Terms of Reference has been approved by the Board of Directors and is based on the guidance provided by the Code of Corporate Governance.
- 18 The Board has outsourced the internal audit function to Mssrs. Riaz Ahmed and Company Chartered Accountants who are considered suitably qualified and experienced for the purpose and are conversant with the polices and procedures of the Company.
- 19 The Statutory Auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan that they or any of the partners of the firm, their spouses and minor children do not hold share of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on Code of Ethics as adopted by Institute of Chartered Accountants in Pakistan.
- 20 The Statutory Auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulation and the Auditors have confirmed that they have observed IFAC guidelines in this regard.
- 21 The Management of the company is committed to good corporate governance, and appropriate steps are take to comply with the best practices.
- 22 We confirm that all other material principles contained in the Code have been complied with.



Chief Executive Officer



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DIRECTORS' REPORT

The Board of Directors of Safeway Mutual Fund Limited is pleased to present the Annual Report for 2010 together with the audited financial statements for the year ended June 30, 2010.

Financial and Operating Performance

The KSE-100 Index began the fiscal year 2010 at 7,162.18 points, and closed at 9,721.91 points, an increase of 35.74%. The Fund's NAV registered an increase of almost 27.86% to close at Rs. 12.53 per share as on June 30, 2010. We are pleased to present the performance of the Fund for the year below:-

	2010	2009
	(Rupees in thousand)	
Income		
Capital Gain / (Loss) on sale of investments - net	148,272	(111,590)
Unrealized diminution on investments at fair value through profit and loss - net	(47,083)	(88,768)
Return on sukuk certificate / term finance certificates	389	1,731
Income from continuous funding system	-	3,566
Dividend Income	18,558	24,816
Other income	10,750	1,788
	<u>130,886</u>	<u>(168,457)</u>
Operating expenses		
Remuneration of Safeway Fund Limited - Asset Manager	(14,119)	(11,812)
Impairment charge on investments	-	(39,435)
Annual fee - Securities and Exchange Commission of Pakistan	(671)	(573)
Remuneration of Central Depository Company of Pakistan Limited - Custodian	(687)	(804)
Bank charges	(11)	(40)
Fees and subscription	(411)	(1,401)
Auditors' remuneration	(509)	(549)
Director's meeting attendance fee	(257)	(217)
Printing and related costs	(108)	(405)
Postage and telegram	(5)	(11)
Advertisement	(55)	(34)
Brokerage and federal excise duties	(4,508)	(1,814)
Others	(10)	(27)
	<u>(21,351)</u>	<u>(57,122)</u>
Income / (loss) before tax	109,535	(225,579)
Taxation	-	-
Income / (loss) for the year	<u>109,535</u>	<u>(225,579)</u>
Earnings / (loss) per share (Rupees)		
With unrealized appreciation / (diminution) on remeasurement of investments	2.01	(4.14)
Without unrealized appreciation / (diminution) on remeasurement of investments	2.88	(2.51)



SAFEGWAY MUTUAL FUND LIMITED

Modified opinion

As more fully explained in note 11 to the financial statements, 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, all Collective Investment Schemes (CIS) have been brought within the purview of the WWF Ordinance, thus rendering them liable to pay contribution to WWF at the rate of 2 percent of their accounting or taxable income, whichever is higher. In case of the Company, the contribution amounted to Rs.2.19 million (2009: Nil), however, the Company has not made provision in respect of WWF in the financial statements. Had the Company made the required provision on account of WWF, the net income and comprehensive income of the Company would have been lower by Rs.2.19 million.

Management, based on legal advice and a clarification issued by the Ministry of labour and manpower, is of a trim view that the Fund is not an establishment and WWF is therefore not applicable to the Fund. Provision for WWF has therefore not made in these accounts. The External Auditors have modified their opinion for the above.

Earnings per Share

Earnings per share of the Fund have risen from a negative of Rs. 4.14 in the prior year to a gain of Rs 2.01 in the current year. The EPS of the Fund excluding the impact of the unrealized diminution of the investment portfolio at year end was Rs. 2.88 compared to a negative of Rs. 2.51 in the previous year.

Dividend

In view of the fund performance, the Directors recommended a cash distribution of 18.2% for the year, amounting to Rs. 1.82 per share.

Share Price Movement

During the year, the Fund's share price witnessed a high of Rs. 10.70 on July 01st 2009 and a low of Rs. 3.02 on August 18th, 2009.

Future Outlook

The future outlook is discussed in detail in the Fund Managers Report.

Role of the Asset Manager

All aspects of the Fund's operations are managed by its Asset Manager, Safeway Fund Limited ("SFL"). Investment decision making is the responsibility of the Asset Manager. This is facilitated through an Investment Committee which meets on a regular basis. The Asset Manager has prepared a detailed Fund Manager's Report which includes an analysis on the performance of the Fund, the risk management policies adopted and the control environment in place to facilitate superior performance compared to peers. This report has been reviewed by the Board of Directors and forms an integral part of this Directors' Report.

Change in Legal Framework

During the year, the SECP made some amendments to the Non - Banking and Finance Companies (Establishment and regulation) Rules, 2003 and the Non-Banking Finance Companies and Notified Entities Regulation 2008. The Fund conducts its activities in accordance with the updated version of the above Rules and Regulations.

During the year the SECP also issued the Corporate Social Responsibility Order which requires that every Company describe in detail, the activities conducted by the Company with respect to Corporate Social Responsibility.

Key Operating Financial Data and Performance Table

Key operating financial data and the performance table for the last six years in summarized form is disclosed in the Annual Report. Information about taxes and levies paid has been disclosed in the notes to the financial statements.



SAFEGWAY MUTUAL FUND LIMITED

Credit Rankings / Ratings

The Fund's last ranking from JCR - VIS is based on June 30, 2010 performance. In this ranking the Fund has been placed as MFR4 star 1 year, two years average ranking MFR5 and 3 years weighted average ranking at MFR5 star.

The rating of the management company is in process. The improvements in the control environment and the risk management polices of the AMC are expected to have a positive impact on this rating process.

Pattern of shareholding

The pattern of shareholding and additional information regarding pattern of shareholding is shown in the Annual Report.

Trading in shares by directors

No trade in the shares of the Fund were carried out by the Directors, CEO, CFO, Company Secretary and / or their spouses and minor children.

External Auditors

At the last AGM of the Fund, the shareholders appointed BDO Ebrahim and Company Chartered Accountants as auditors of the Fund for the year ending June 30, 2010. The Board of Directors have recommended the re-appointment of the retiring auditors, who have offered their consent for this purpose.

Change in the Internal Auditors

During the year, the Fund changed its internal auditors to Riaz Ahmad and Company Chartered Accountants to bring in a new perspective from the Internal Audit function. The Board wishes to place on record its appreciation to Mssrs. Anjum Asim Shahid and Rahman Chartered Accountants for the services rendered in the previous years.

Attendance at Board Meetings

During the year under review, four Board meetings were held. The attendance of each director at the meetings of the Board of Directors is as follows:-

SMFL Board	Status	Attended	Meeting*
Mr. Anjum Saleem	Chairman	4	4
Ms. Tehmeena Khan	CEO	4	4
Mr. Amjad Farooq	Director	2	4
Mr. Faraz Ahmed	Director	3	4
Mr. Mohammad Amin	Director	1	4
Mr. Mohammad Awais Qureshi	Former Director	3	4
Mr. Mohammad Saad Thaniana	Former Director	2	4

* Being the Number of Meetings the Director was eligible to attend

Leave of absence was granted by the Board to those Directors who could not attend the Board meetings. During the year under review, one resolution was passed by circulation and this resolution was ratified by the Board at the ensuing Board meetings.

Attendance at Audit Committee Meetings

During the year under review, four Audit Committee meetings were held. The attendance of each member at the meetings of the Audit Committee is as follows:-



SAFEWAY MUTUAL FUND LIMITED

SMFL Audit Committee	Status	Attended	Meeting*
M. Saad Thaniana	Chairman	3	4
Mohammad Amin	Member	4	4
Muhammad Awais Qureshi	Member	1	4

* Being the Number of Meetings the Member was eligible to attend

Leave of absence was granted by the Committee to those members who could not attend the Audit Committee meetings. The conduct, activities and terms of reference of the Audit Committee is governed by an Audit Committee Charter which has been approved by the Board of Directors. This charter is based on the guidelines laid out in the Code of Corporate Governance.

Change in Directors

Subsequent to yearend the Board of Director accepted the resignation of Mr. Amjad Farooq as Director of the Company and appointed Mr. Kashif Faruki in his stead, subject to regulatory approvals.

Corporate Governance

As required by the Code of Corporate Governance, the Directors are pleased to state that:-

- The financial statements of the Fund fairly present its true state of affairs, the results of its operations, cash flows and changes in equity.
- The financial statements have been duly audited and approved with modified auditor report by the auditors of the Fund, BDO and Ebrahim and Company Chartered Accountants and their report is attached with the financial statements.
- The Fund has maintained proper books of accounts.
- Appropriate accounting policies have been consistently applied in the preparation of the financial statements and all accounting estimates are based on reasonable and prudent judgment.
- International Accounting Standards as applicable in Pakistan have been followed in preparation of the financial statements.
- The system of internal control is sound and has been effectively implemented and monitored.
- There are no doubts upon the Fund's ability to continue as a going concern.
- Details of related party transactions are disclosed in the financial statements.
- There has been no material departure from the best practices of corporate governance as detailed in the listing regulations of the stock exchanges.

The statement of compliance with Code of Corporate Governance has been shown separately.

Various steps have been taken and continue to be taken by the Asset Manager to continuously improve corporate governance and strengthen the control environment. These have been discussed in more detail in the Fund Manager's Report



SAFEGWAY MUTUAL FUND LIMITED

Disclosure under the Companies (Corporate Social Responsibility) General Order, 2009

Corporate social responsibility calls for maximizing value for all stakeholders. Being a Fund, the regulatory framework does not permit the appropriation of any Funds except those directly incurred in the cost of managing the financial interest of the Fund's shareholder.

Communication with Shareholders

In an effort to improve communication with shareholders, the Fund requests all shareholders to ensure that they have their correct addresses registered with the Share Registrar. The addresses for several shareholders appear to be outdated and as a result mail to these shareholders is being returned by the postal services. Notification for any changes in address may be communicated to the Fund or the Share Registrar.

Acknowledgement

The Board wishes to place on record its appreciation to the Securities and Exchange Commission of Pakistan, the Karachi, Lahore and Islamabad Stock Exchange and Central Depository Company Limited and the National Clearing Company Limited for their continued guidance and support.

We also thank our professional service providers - our brokers, Ahmed and Qazi Legal Consultants, BDO Ebrahim & Co. Chartered Accountants, and Riaz Ahmad & Co. Chartered Accountants for their advice and guidance.

The Board extends its thanks and commendation to the Asset Manager's team for their continued efforts in strengthening the policies, procedures and control environment of the Funds.

Finally, the Board thanks the shareholders and the members of the stock exchanges for their trust in us, which we hope to continue to strengthen in the coming years.

For and on behalf of the Board of Directors

TEHMEENA KHAN
Chief Executive Officer



FUND MANAGER'S REPORT

This report forms an integral part of the Directors Report for the year ended 30 June 2010.

The Role of the Asset Manager

The Asset Manager is responsible to ensure that it manages the operations of the Fund in an efficient manner consistent with its core values. To achieve this objective the Asset Manager continually strives to improve and strengthen its control environment. The Asset Manager's license is renewed annually.

The license is due for renewal in November 2010 and under the recent amendments to the NBFC Rules, 2003 will be renewed for a period of three years.

As required under the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the Directors of the Asset Manager state that the financial statements of Safeway Mutual Fund Limited for the year ended June 30, 2010 give a true and fair view of the position and performance of the Fund.

Investment Objective and Risk Management

The investment objective of the Fund is to provide its shareholders a vehicle for long-term capital appreciation. The Funds seeks to achieve this objective through investment primarily in equity issues of quality companies and by diversifying across companies poised to gain the most from the existing and expected macro-economic trends. At the same time the Fund may invest an allowable portion of its assets in other non - equity securities including listed fixed income securities and hybrid equity issues.

The performance of a mutual fund is dependent on various factors including but not limited to the overall performance of the economy and the performance of the stock market. Whereas policies and procedures are put in place to ensure that the interest of the shareholders is continually safeguarded, the performance of the Fund in any one year is not a clear indicator of the projected performance of the Fund.

All investments are subject to Market Risk. Market risk is the risk that the value of the financial instrument may fluctuate. Significant fluctuations would result in a considerable reduction in return. It includes but is not limited to price risk, liquidity risk, credit risk, foreign exchange risk and market sentiment. It should be noted that these forms of risk are interdependent, and each can build up to become systemic in nature. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the returns. Market Risk is managed by delegating Investment decision making to an Investment Committee which is governed by an Investment Committee Charter.

The Investment Committee

The members of the Investment Committee, their designation, qualification and years of experience is disclosed below:-

Name	Designation at SFL	Qualification	Experience
Nihal Cassim	Chief Executive Officer and Fund Manager	MBA in Finance and MIS (McGill)	11 years
Tehmeena Khan	Chief Financial Officer and Company Secretary	ACA (ICAEW)	7 years
Mohammad Turab	Financial Accountant	B Com, Articleship	7 years



SAFEGWAY MUTUAL FUND LIMITED

The Investment Committee meets at least monthly to conduct a detailed review of the portfolio strategy and performance, while the fund manager has been delegated daily monitoring and execution of the portfolio. Typically, investee companies are evaluated through defined criteria to determine target prices for securities and where target prices are met the securities are disposed off and where a change in condition necessitates, target prices are revised. Preference is given to blue chip equity instruments as historically the returns on such equities have out-performed the return on fixed income instruments. Primary focus is on investment and not on speculative trading or index tracking.

The portfolio is diversified in accordance with the regulations laid down by the Securities and Exchange Commission of Pakistan, these include exposures limits to any one group of companies of 35%, sector exposure limit of 25% or the index weighting, subject to a cap of 35%, and scrip exposure limit of 10% or the index weighting, subject to a cap of 15%.

Safeway Fund Limited is pleased to present its review on the performance of Safeway Mutual Fund Limited for the year ended 30 June 2010.

Economic Performance

Pakistan's economic performance for the year ending June 30, 2010 can be seen in the economic indicators presented in the table below:

	FY09A	FY10A	FY11F
Real GDP Growth	1.2%	4.1%	2.5%
Agriculture Growth	4.0%	2.0%	-1.5%
Manufacturing Growth	-3.7%	5.2%	2.3%
Trade Deficit (US\$ bn)	-17.0	-15.3	-18.5%
Remittances (US\$ bn)	7.8	8.9	9.5%
Tax Revenue (Rs bn)	1,314.2	1,483.0	1,779.0%
Dev. Expenses (Rs bn)	486.0	510.0	663.0%
Total Debt (Rs. bn)	7,997.6	9,328.6	10,322.1%
Credit to Govt (Rs bn)	529.4	424.2	600.0%
Credit to Private (Rs bn)	-10.1	97.6	50.0%
Inflation	20.8%	12.0%	15.0%
PKR/USD parity	81.5	85.0	89.0%

Source: SBP, NBP, Budget 2010-2011, SFL

In FY2010 the Pakistan economy remained lean and underwent some improvement on the back of a low base effect and a stabilizing business environment which is reflected in real GDP and the manufacturing sector growth rates. Despite high international oil prices the trade deficit narrowed, likely due to demand for non-essentials being subdued as economic consumption was lean. As expected, the government continued to borrow and crowd out the private sector but relief by way of restructuring of loans and working capital financings was made available to the private sector by the banks. Inflation was significantly lower on the back of a very high base, although slow de-subsidizing of energy prices and high commodity prices remained. Lastly, the rupee depreciated by 5%, above the historic average of 3-4%.

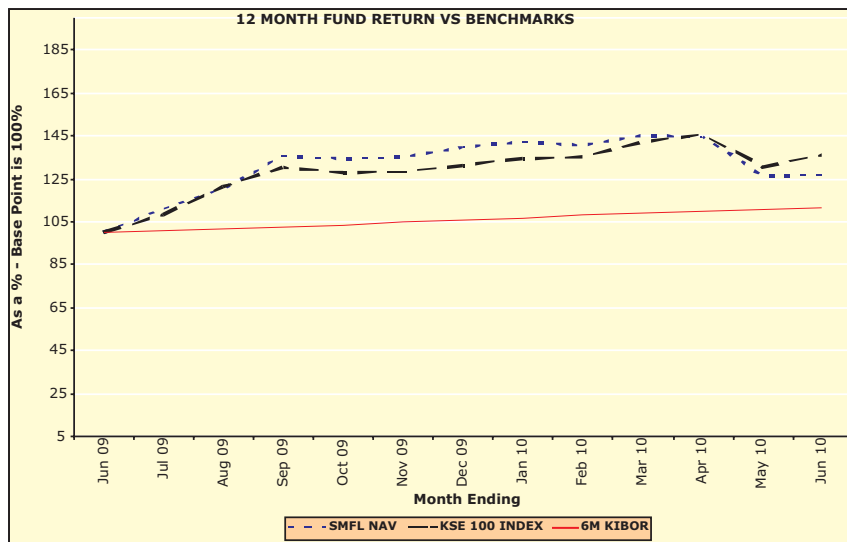
Market Performance

The KSE-100 Index began the fiscal year 2010 at 7,162.18 points, and closed at 9,721.91 points, an increase of 35.74%. In comparison, the Fund's NAV registered increase of almost 26.73% to close at Rs. 12.53 per share as on June 30, 2010. The increase in the KSE 100 came late in the year on the back of strong stock price gains in OGDC and Unilever, making the index difficult to beat.

The KSE 100 index and KSE 30 index, increased by 35.74% and 26.22% respectively during the year and the movement of the Fund's NAV against its benchmark - the KSE 100 index, is shown in the graph below:



SAFEGWAY MUTUAL FUND LIMITED



The Mutual Fund sector at large performed below expectations during the year. We are however pleased to note that the Fund however performed well in comparison to other closed end funds and ranked 3rd out of the 20 closed end funds in the country.

Up to date information on the performance of the mutual fund industry may be viewed on the Mutual Funds Association of Pakistan website - www.mufap.com.pk.

Results of operations

During FY2010, the Fund realized gains on sale of shares of Rs. 148.27 million as against a loss of Rs. 111.59 million in the prior year. Dividend income, return on TFC and other income increased by 4.81% to contribute Rs. 29.70 million to the income head. The unrealized diminution on investments at fair value through P&L decreased from Rs. 88.77 million in the prior year to Rs. 47.08 million, this figure would have been lower had the markets not had a bad fourth quarter. Current year operating expenses were Rs. 21.35 million compared to Rs. 17.69 million (excluding the impairment charge) last year. In the current year, 66.13% of the operating expenses represent remuneration to the Asset Manager for its services in accordance with the guidelines issued in the NBFC Rules 2003 in terms of which 2% of the Fund's average Net Asset Value is paid as remuneration.

The impact of the above was that the Fund has a gain of Rs. 109.535 million in the current year compared to the loss of Rs. 225.579 million recorded in the prior year. This translates to a increase in EPS from a loss of Rs. 4.14 to a profit of Rs. 2.01. It may be noted that the EPS of the Fund excluding the impact of the unrealized diminution of the investment portfolio at yearend which was a gain of Rs 2.88 in the current year compared to a loss of Rs 2.51 in the prior year. The Fund's NAV registered an increase of almost 27.85%, to close at Rs. 12.53 per share as of June 30, 2010.

Dividend

In view of the fund performance, the Directors recommended a cash distribution of 18.2% for the year, amounting to Rs. 1.82 per share.

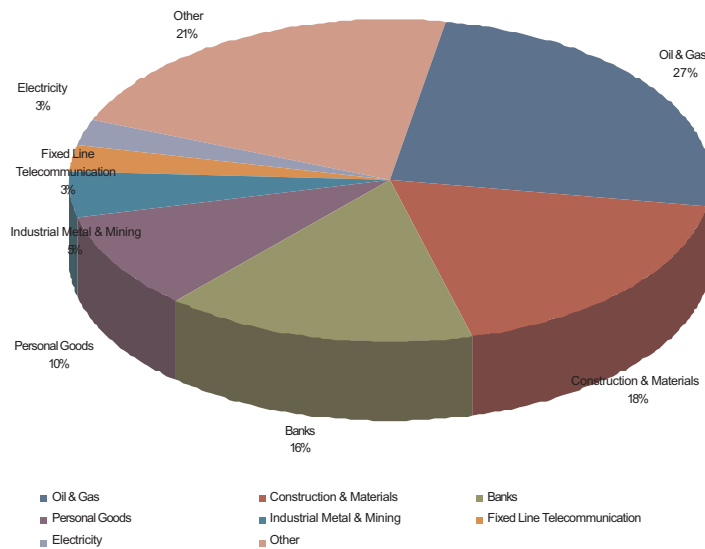


SAFEWAY MUTUAL FUND LIMITED

Portfolio Review

To facilitate improved monitoring of the portfolio, during the year, all investments held in Available for Sale were transferred into the Financial Assets recognized through Profit and Loss category by adopting the procedures permitted in the accounting standards. As a policy, all investments purchased are classified as Financial Assets recognized through Profit and Loss category.

The Fund's portfolio as of June 30, 2010 was invested in the following sectors:-



The Fund's largest sector exposures vis - a - vis KSE weightings is shown below:

Sector	Fund	KSE 100
Oil & Gas	24.75%	38.55%
Construction and Materials	18.50%	2.07%
Banks	15.68%	24.40%
Personal Goods	9.75%	2.25%
Industrial Metal & Mining	4.58%	0.23%
Fixed Line Telecommunication	2.76%	2.79%
Electricity	2.57%	3.36%
Other	21.68%	26.90%
Total	100.00%	100.00%



SAFEGWAY MUTUAL FUND LIMITED

Oil and Gas represents about 25% of the portfolio, indicating our likeness for companies that have a currency hedge as well as strong debt free cashflows. Despite this we are underweight the KSE-100 index which is inflated to 38.55% in the oil and gas sector due to a 22% weight of OGDC. Another 34% of the portfolio is in banks and cement companies indicating that we are expecting the economy to turn around, however, this will be reevaluated post assessment of the damage by the floods. Cash allocation is about 15% as at year end.

Although the Fund considers the KSE 100 as a reference point when making investment decisions and tracks its investments against the KSE 100, the Fund is not an index tracker and the Fund's portfolio will differ based on investment strategy. The rest of the portfolio is broadly distributed amongst various sectors in an effort to diversify the risk profile of the portfolio.

At June 30, 2010, the Fund's investment in POL had increased to 10.21% due to market movements. As permitted by the NBFC Regulations 2008, this investment was brought in within the stipulated investment limit of 10% subsequent to yearend.

Future Outlook

Economic Performance

The recent floods have hurt the agricultural and manufacturing sectors. The government is now faced with rebuilding infrastructure and re-placing displaced persons. Economic reversal is going to be directly related to the quality and pace of work by the government, and so far the lack of execution ability by fiscal managers remains a common theme which is continuing for last two years. So realistically, we see very difficult times for the Pakistan economy. As expected subsequent to yearend, the government has revised downwards its targets as stated in the FY2011 federal budget due to the floods. We believe that there would be 2% GDP growth, agricultural output would fall and the manufacturing sector will hurt due to low local demand and raw materials constraints for export products. Resultantly, tax collection would be lower, leading to high government borrowings and further crowding out of private sector; this would be especially painful for investment banks and leasing companies. We foresee extended harassment by the tax authorities and more abnormal tax policies by the government in a desperate attempt to meet revenue targets. We see inflation spike in the first half of the year due to food shortage and remain high in the second half as the final steps of energy price de-subsidizing take place under IMF direction.

The only savior is if Pakistan receives large amounts of aid (and debt re-profiling) towards disaster relief and in which case we see less pressure on the rupee this will be further added by high remittance. We have high expectations from Mr. Hafeez Shaikh as Finance Minister and hope that he can capitalize on (1) raising foreign aid and re-profiling existing foreign debt, and (2) formulating progressive policy and combining it with any positive momentum by foreign donors. We would look positively at foreign aid agencies playing a more direct role in rebuilding Pakistan.

Market Performance

Despite the weak economic outlook on the back of slow private sector activity, lack of funding, high cost of money and a weakening currency, we believe that selected stock market values are still cheap and there is limited room for further downside, while upward re-pricing will also not be quick. We continue to like energy companies that offer US dollar linked revenues and strong to stable cashflows. We are optimistic in cements due to rebuilding requirements within Pakistan and Afghanistan. Most financials worry us as these are directly related to economic performance, however large Pakistani banks benefit from their infrastructure related economies of scale such as large branch networks, low cost of deposits and growing risk free lending to the government at attractive rates. Our emphasis will remain on companies that are in market leadership positions. We foresee the need to step up trading in the portfolio given our outlook for a range bound market valued between 6.0x to 7.4x FY11 EPS (ex-OGDC) from the current 6.7x FY11 EPS.



SAFEWAY MUTUAL FUND LIMITED

Acknowledgement

The Asset Manager wishes to place on record its appreciation to the Securities and Exchange Commission of Pakistan, the Board of Safeway Mutual Fund Limited, the Karachi, Lahore and Islamabad Stock Exchanges, Central Depository Company Limited and the National Clearing Company Limited for their continued guidance and support. We also thank our professional service providers - our brokers, Ahmed and Qazi Legal Consultants, Moochalla Gangat and Company Chartered Accountants, BDO Ebrahim and Company Chartered Accountants and Riaz Ahmad and Company Chartered Accountants for their advice and guidance.

And last, but not least, we extend our thanks and commendation to the Asset Manager's staff for their hard work and dedication.

For and on behalf of Safeway Fund Limited

NIHAL CASSIM
Chief Executive Officer



SAFEWAY MUTUAL FUND LIMITED

FINANCIAL HIGHLIGHTS FOR THE LAST SIX YEARS

In Rupees	2010	2009	2008	2007	2006	2005
Income Statement						
Income / (loss)	130,886,000	(168,457,000)	6,554,000	253,665,000	27,885,000	36,862,000
Expense	21,351,000	57,122,000	28,754,000	34,715,000	28,523,000	10,133,000
Profit / (loss) before Taxation	109,535,000	(225,579,000)	(22,200,000)	218,950,000	(638,000)	26,729,000
Profit / (loss) after Taxation	109,535,000	(225,579,000)	(22,200,000)	218,874,000	(1,379,000)	25,850,000
Income Statement Components						
Gain / (loss) on Sale of shares	148,272,000	(111,590,000)	110,830,000	224,189,000	72,187,000	(13,850,000)
(Loss) / Gain on Remeasurement of Investments	(47,083,000)	(88,768,000)	(144,856,000)	6,455,000	(63,694,000)	33,072,000
Remuneration of the Investment Advisor	14,119,000	11,812,000	20,933,000	16,614,000	17,548,000	8,078,000
Balance Sheet						
Net Assets	682,498,000	533,528,000	884,832,000	1,122,223,000	659,575,000	888,791,000
Share Capital	544,500,000	544,500,000	544,500,000	544,500,000	544,500,000	453,750,000
Investments	579,764,000	529,901,000	846,114,000	1,038,085,000	669,356,000	867,507,000
Ratios and Supplementary Data						
Average NAV (in Rupees)	705,950,000	590,600,000	1,046,650,000	830,700,000	877,400,000	403,900,000
Average Market Capitalization (in Rupees)	356,103,000	637,609,500	619,641,000	449,687,857	909,839,518	885,225,000
Net Assets Value per Share (in Rupees)	12.53	9.8	16.26	20.61	12.11	19.59
Earnings / (loss) per Share (in Rupees)	2.01	-4.14	-0.41	4.02	(0.03)	0.51
Average Market Price (in Rupees)	6.54	11.71	11.38	8.26	16.71	19.51
Return on Average Capital Employed	18.02%	-31.81%	-2.21%	26.35%	-0.16%	6.40%
Dividend - Cash Payout	18.20%	-	2.50%	20%	-	-
Dividend - Bonus	0	0	0	0	0	20%
Dividend Yield	2.78%	0.00%	0.22%	24.22%	0.00%	10.25%
Income to Expense	6.13	(2.95)	0.23	7.31	0.98	3.64
Average Price to Earning Ratio	3.25	(2.83)	(27.76)	2.05	(556.99)	38.25
Average Price to Book Ratio	0.52	1.19	0.70	0.40	1.38	1.00



SAFEGWAY MUTUAL FUND LIMITED

PERFORMANCE TABLE

	2010	2009	2008	2007	2006	2005
Beginning net assets (Rs 000)	533,528	884,832	1,122,223	659,575	888,791	434,957
Beginning NAV (Rs) (Ex Div)	9.80	16.01	18.61	12.11	16.33	21.09
Ending net assets (Rs 000)	682,498	533,528	884,832	1,122,223	659,575	888,791
Ending NAV (Rs)	12.53	9.80	16.26	20.61	12.11	19.59
Profit / (Loss) after tax (Rs '000)	109,535	(225,579)	(22,200)	218,874	(1,379)	25,850
Earning per share (Rs.)	2.01	(4.14)	(0.41)	4.02	(0.03)	0.51
Cash Distribution (Rs)						
- interim	-	-	-	-	-	-
- final	1.82	-	0.25	2.00	-	-
Bonus Distribution - Final	-	-	-	-	-	20%
Distribution dates - Final	20-Oct-10	-	20-Oct-08	23-Aug-07	21-Oct-05	
Income Distribution	18.57%	0.00%	1.34%	16.52%	0.00%	
Capital Growth	27.86%	-38.79%	-12.63%	70.19%	-25.84%	
Total Return	46.43%	-38.79%	-11.28%	86.71%	-25.84%	

Average annualized return of the Fund (CAGR) (%)

One Year	46.43%	-38.79%	-11.28%
Two Year	10.87%	23.00%	-25.39%
Three Year	10.44%	0.17%	-3.94%

Disclaimer

Past performance is not necessarily indicative of future performance and that investment returns may go down, as well as up.



SAFEWAY MUTUAL FUND LIMITED

REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of **SAFEWAY MUTUAL FUND LIMITED** to comply with the Listing Regulation No.37 (Chapter XI) of the Karachi Stock Exchange (Guarantee) Limited, Chapter XI of the Listing Regulations of the Lahore Stock Exchange (Guarantee) Limited and Islamabad Stock Exchange (Guarantee) Limited, where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

Further, Sub-regulation (xiii) of Listing Regulation 37 notified by The Karachi Stock Exchange (Guarantee) Limited vide Circular KSE/-269 dated January 19, 2009, Chapter XI of listing regulations of Lahore Stock Exchange (Guarantee) Limited and Islamabad Stock Exchange (Guarantee) Limited require the Company to place before the Board of Directors for their consideration and approval, related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the Audit Committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended June 30, 2010.

KARACHI
DATED:September 23, 2010

BDO EBRAHIM AND COMPANY
CHARTERED ACCOUNTANTS
Engagement Partner: Zulfikar Ali Causer



AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed statement of assets and liabilities of **SAFEGWAY MUTUAL FUND LIMITED** as at June 30, 2010 and the related income statement, statement of comprehensive income, distribution statement, cash flow statement and statement of movement in equity and reserves-'per share' together with the notes forming part thereof (here-in-after referred to as the financial statements), for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards, the requirements of the Companies Ordinance, 1984, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 and the Non-Banking Finance Companies and Notified Entities Regulations, 2008. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

As more fully explained in note 11 to the financial statements, 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, all Collective Investment Schemes (CIS) have been brought within the purview of the WWF Ordinance, thus rendering them liable to pay contribution to WWF at the rate of 2 percent of their accounting or taxable income, whichever is higher. In case of the Company, the contribution amounted to Rs.2.19 million (2009: Nil), however, the Company has not made provision in respect of WWF in the financial statements. Had the Company made the required provision on account of WWF, the net income and comprehensive income of the Company would have been lower by Rs.2.19 million.

Except for the adjustment in respect of the matter stated above, we state that:

- a) in our opinion proper books of accounts have been kept by the Company as required by the Companies Ordinance, 1984, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 and the Non-Banking Finance Companies and Notified Entities Regulations, 2008;
- b) in our opinion:
 - i) the statement of assets and liabilities and income statement together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of accounts and are further in accordance with accounting policies consistently applied, except for the change as stated in note 3.1 to the financial statements, with which we concur;
 - ii) the expenditure incurred during the year was for the purpose of the Company's business; and
 - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;



SAFEGWAY MUTUAL FUND LIMITED

- c) in our opinion and to the best of our information and according to the explanations given to us, the statement of assets and liabilities, income statement, statement of comprehensive income, cash flow statement and statement of movement in equity and reserves-'per share' together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 and the Non-Banking Finance Companies and Notified Entities Regulations, 2008, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2010 and of the profit, comprehensive income, its cash flows and changes in equity for the year then ended; and
- d) in our opinion, no Zakat was deductible at source under the Zakat and Usher Ordinance, 1980 (XVIII of 1980).

The financial statements of the Company for the year ended June 30, 2009 was audited by another firm of chartered accountants who had expressed their unqualified opinion thereon vide their report dated August 20, 2009.

KARACHI
DATED: September 23, 2010

BDO EBRAHIM AND COMPANY
CHARTERED ACCOUNTANTS
Engagement Partner: Zulfikar Ali Causer

**SAFEWAY MUTUAL FUND LIMITED****STATEMENT OF ASSETS AND LIABILITIES
AS AT JUNE 30, 2010**

	Note	2010	2009
		(Rupees in thousand)	
ASSETS			
NON CURRENT ASSETS			
Long term deposits		2,615	2,615
CURRENT ASSETS			
Bank balances	5	100,373	1,381
Mark up receivable		742	134
Short term investments	6	579,764	529,901
Dividend receivable		1,225	1,400
Income tax refundable		31	31
		<u>682,135</u>	<u>532,847</u>
TOTAL ASSETS		684,750	535,462
CURRENT LIABILITIES			
Remuneration payable to Asset Manager	7	1,129	915
Accrued expenses and other liabilities	8	1,123	1,019
		<u>2,252</u>	<u>1,934</u>
NET ASSETS		682,498	533,528
REPRESENTED BY:			
Share capital	9	544,500	544,500
Capital reserve			
Unrealized diminution in available for sale investments	10	-	(39,435)
Share premium account		33,000	33,000
Revenue reserve			
Unappropriated profit / (loss)	10	104,998	(4,537)
CONTINGENCIES AND COMMITMENTS	11	-	-
		<u>682,498</u>	<u>533,528</u>

The annexed notes from 1 to 27 form an integral part of these financial statements.

Tahmeena
Chief Executive

Mohammad Awais Qureshi
Director



SAFEWAY MUTUAL FUND LIMITED

**INCOME STATEMENT
FOR THE YEAR ENDED JUNE 30, 2010**

	Note	2010	2009
		(Rupees in thousand)	
INCOME			
Capital gain/(loss) on sale of investments - net		148,272	(111,590)
Unrealized appreciation/(diminution) on investments at fair value through profit or loss - net	6.1	(47,083)	(88,768)
Return on sukuk certificate/term finance certificate		389	1,731
Income from continuous funding system		-	3,566
Dividend income		18,558	24,816
Other income	12	10,750	1,788
		<u>130,886</u>	<u>(168,457)</u>
OPERATING EXPENSES			
Remuneration to Safeway Fund Limited - Asset Manager	7	(14,119)	(11,812)
Impairment charge on investments	6.3.1	-	(39,435)
Annual fee - Securities and Exchange Commission of Pakistan		(671)	(573)
Remuneration of Central Depository Company of Pakistan Limited - Custodian		(687)	(804)
Bank charges		(11)	(40)
Fees and subscription		(411)	(1,401)
Auditors' remuneration	13	(509)	(549)
Directors' meeting attendance fee		(257)	(217)
Printing and related costs		(108)	(405)
Postage and telegram		(5)	(11)
Advertisement		(55)	(34)
Brokerage and federal excise duties		(4,508)	(1,814)
Others		(10)	(27)
		<u>(21,351)</u>	<u>(57,122)</u>
Income/(loss) before tax		<u>109,535</u>	<u>(225,579)</u>
Taxation	15	-	-
Income/(loss) for the year		<u>109,535</u>	<u>(225,579)</u>
Earnings/(loss) per share (Rupees):			
With unrealised appreciation/(diminution) on remeasurement of investments	22	<u>2.01</u>	<u>(4.14)</u>
Without unrealised appreciation/(diminution) on remeasurement of investments	22	<u>2.88</u>	<u>(2.51)</u>

The annexed notes from 1 to 27 form an integral part of these financial statements.

Tahmeena
Chief Executive

Mohammad Awais Qureshi
Director



SAFEWAY MUTUAL FUND LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2010**

	2010	2009
	(Rupees in thousand)	
Income/(loss) for the year	109,535	(225,579)
Other comprehensive income/(loss) for the year		
Movement in available for sale investments	39,435	(112,113)
Total comprehensive income/(loss) for the year	<u>148,970</u>	<u>(337,692)</u>

The annexed notes from 1 to 27 form an integral part of these financial statements.

Tahmeena
Chief Executive

Mohammad Awais Qureshi
Director



SAFEWAY MUTUAL FUND LIMITED

**CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2010**

	Note	2010	2009
(Rupees in thousand)			
CASH FLOWS FROM OPERATING ACTIVITIES			
Income/(loss) before income tax		109,535	(225,579)
Adjustments:			
Unrealised appreciation on remeasurement of investments at fair value through profit or loss		47,083	88,768
Capital gain/(loss) on sale of investments classified as available for sale		62,646	(2,944)
Impairment charge on investments classified as 'available for sale'		-	39,435
Dividend income		(18,558)	(24,816)
Mark-up income		(11,139)	(7,085)
Remuneration of asset manager		14,119	11,812
Remuneration of custodian		687	804
		<u>204,373</u>	<u>(119,605)</u>
(Decrease)/increase in current assets		(120,157)	78,842
Short term investments		-	25,997
Receivable against continuous funding system		-	1,308
Receivable against sale of investments		<u>(120,157)</u>	<u>106,147</u>
Increase/(decrease) in current liabilities			
Accrued expenses and other liabilities		82	(4,014)
Cash generated from operations		84,298	(17,472)
Dividend received		18,733	28,016
Mark up received		10,531	7,475
Remuneration of Asset Manager		(13,905)	(12,603)
Remuneration of Custodian		(665)	(874)
Dividend paid		-	(13,611)
Net cash generated from/(used in) operating activities		<u>98,992</u>	<u>(9,069)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Net cash generated from investing activities		-	1,000
Net increase/(decrease) in cash and cash equivalents		98,992	(8,069)
Cash and cash equivalents at beginning of the year		1,381	9,450
Cash and cash equivalents at end of the year	5	<u>100,373</u>	<u>1,381</u>

The annexed notes from 1 to 27 form an integral part of these financial statements.

Tahmeena
Chief Executive

Mohammad Awais Qureshi
Director

**SAFEWAY MUTUAL FUND LIMITED****STATEMENT OF MOVEMENT IN EQUITY AND RESERVES - 'PER SHARE'
FOR THE YEAR ENDED JUNE 30, 2010**

	Note	2010 (Rupees)	2009
Net assets per share at beginning of the year		9.80	16.25
Final dividend		-	(0.25)
Capital gain/(loss) on sale of marketable securities		2.72	(2.07)
Unrealised diminution on remeasurement of investments at fair value through profit or loss		(0.86)	(1.64)
Other net operating income/(loss) for the year		0.15	(0.43)
Net income/(loss) for the year		2.01	(4.14)
Unrealised appreciation/(diminution) in the value of investments classified as 'available for sale'		0.72	(2.06)
Net assets per share as at June 30, 2010		<u>12.53</u>	<u>9.80</u>

The annexed notes from 1 to 27 form an integral part of these financial statements.

Tahmeena
Chief Executive

Mohammad Awais Qureshi
Director



SAFEGWAY MUTUAL FUND LIMITED

**DISTRIBUTION STATEMENT
FOR THE YEAR ENDED JUNE 30, 2010**

	Note	2010 (Rupees in thousand)	2009
Unappropriated loss brought forward		(4,537)	234,654
Final dividend for the year		-	(13,612)
Income/(loss) for the year		109,535	(225,579)
Unappropriated loss carried forward		<u>104,998</u>	<u>(4,537)</u>

The annexed notes from 1 to 27 form an integral part of these financial statements.

Tahmeena
Chief Executive

Mohammad Awais Qureshi
Director



SAFeway MUTUAL FUND LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

1. LEGAL STATUS AND NATURE OF BUSINESS

Safeway Mutual Fund Limited (the Company) is a public limited company incorporated in June 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 has been 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, Lahore and Islamabad Stock Exchanges.

The Company has entered into an agreement with Safeway Fund Limited (SFL) to act as its Asset Management Company. SFL is duly licensed under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 to act as an Asset Management Company. The previous Asset Management Company, Asian Capital Management Limited was merged into Safeway Fund Limited effective from January 1, 2009. 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', 2 year weighted average ranking at 'MFR 5 Star' and 3 year weighted average ranking at 'MFR 5 Star' as at June 30, 2010. Management quality rating of SFL is currently under process.

2. BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with the requirements of the Companies Ordinance, 1984, the Non-Banking Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules) and the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (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.

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.



SAFEGWAY MUTUAL FUND LIMITED

2.3 Functional and presentation currency

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

3. NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED APPROVED ACCOUNTING STANDARDS

3.1 Change in accounting policy

IAS 1 (revised), 'Presentation of financial statements' - effective 1 January 2009. The revised standard requires 'non-owner changes in equity' to be presented separately from owner changes in equity in a statement of comprehensive income. As a result, all non-owner changes in equity are presented in the statement of comprehensive income.

The Company has preferred to present two statements; a income statement and a statement of comprehensive income. These financial statements have been prepared under revised disclosure requirements.

3.2 Standards, interpretations and amendments that have been effective during the period

Revised IFRS 3 Business Combinations (applicable for annual periods beginning on or after July 1, 2009) broadens among other things the definition of business resulting in more acquisitions being treated as business combinations, contingent consideration to be measured at fair value, transaction costs other than share and debt issue costs to be expensed, any pre-existing interest in an acquiree to be measured at fair value, with the related gain or loss recognised in profit or loss and any non-controlling (minority) interest to be measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of an acquiree, on a transaction-by-transaction basis. The application of this standard is not likely to have an effect on the Company's financial information.

Amended IAS 27 Consolidated and Separate Financial Statements (effective for annual periods beginning on or after July 1, 2009) requires accounting for changes in ownership interest by the group in a subsidiary, while maintaining control, to be recognized as an equity transaction. When the group loses control of subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognized in the profit or loss. The application of the standard is not likely to have an effect on the Company's financial information.

IFRIC 15- Agreement for the Construction of Real Estate (effective for annual periods beginning on or after July 1, 2009) clarifies the recognition of revenue by real estate developers for sale of units, such as apartments or houses, 'off-plan', that is, before construction is complete. The amendment is not relevant to the Company's operations.

Amendments to IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items (effective for annual periods beginning on or after July 1, 2009) clarifies the application of existing principles that determine whether specific risks or portions of cash flows are eligible for designation in a hedging relationship. The amendment is not likely to have an effect on the Company's financial information.

IFRIC – 17 Distributions of Non-cash Assets to Owners (effective for annual periods beginning on or after July 1, 2009) states that when a Fund distributes non cash assets to its shareholders as dividend, the liability for the dividend is measured at fair value. If there are subsequent changes in the fair value before the liability is discharged, this is recognised in equity. When the non cash asset is distributed, the difference between the carrying amount and fair value is recognised in the income statement. As the Company does not distribute non-cash assets to its shareholders, this interpretation has no impact on the Company's financial information.



SAFEGWAY MUTUAL FUND LIMITED

The other new standards, amendments and interpretations that are mandatory for accounting period beginning on or after July 1, 2009 are considered not to be relevant or to have any significant effect on the Fund's financial reporting and operations.

3.3 Standards, interpretations and amendments to the published approved accounting standards that are not yet effective and have not been early adopted.

Amendment to IFRS 2 – Share-based Payment – Group Cash-settled Share-based Payment Transactions (effective for annual periods beginning on or after January 1, 2010). Currently effective IFRSs require attribution of group share-based payment transactions only if they are equity-settled. The amendments resolve diversity in practice regarding attribution of cash-settled share-based payment transactions and require an entity receiving goods or services in either an equity-settled or a cash-settled payment transaction to account for the transaction in its separate or individual financial information.

Amendment to IAS 32 Financial Instruments: Presentation – Classification of Rights Issues (effective for annual periods beginning on or after February 1, 2010). The IASB amended IAS 32 to allow rights, options or warrants to acquire a fixed number of the entity's own equity instruments for a fixed amount of any currency to be classified as equity instruments provided the entity offers the rights, options or warrants pro rata to all of its existing owners of the same class of its own non-derivative equity instruments. This interpretation has no impact on the Company's financial information.

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments (effective for annual periods beginning on or after July 1, 2010). This interpretation provides guidance on the accounting for debt for equity swaps. This interpretation has no impact on the Company's financial information.

IAS 24 Related Party Disclosures (revised 2009) – effective for annual periods beginning on or after January 1, 2011. The revision amends the definition of a related party and modifies certain related party disclosure requirements for government-related entities. The amendment would result in certain changes in disclosures.

Amendments to IFRIC 14 IAS 19 – The Limit on a Defined Benefit Assets, Minimum Funding Requirements and their Interaction (effective for annual periods beginning on or after January 1, 2011). These amendments remove unintended consequences arising from the treatment of prepayments where there is a minimum funding requirement. These amendments result in prepayments of contributions in certain circumstances being recognised as an asset rather than an expense. This amendment is not likely to have any impact on Company's financial information.

Improvements to IFRSs 2008 – Amendments to IFRS 5 Non-current Assets Held for Sale and Discontinued Operations – (effective for annual periods beginning on or after July 1, 2009). The amendments specify that if an entity is committed to a plan to sell a subsidiary, then it would classify all of that subsidiary's assets and liabilities as held for sale if criteria in IFRS 5 are met. This applies regardless of the entity retaining an interest (other than control) in the subsidiary; and disclosures for discontinued operations are required by the parent when a subsidiary meets the definition of a discontinued operation. This amendment is not likely to have any impact on Company's financial information.

In addition to the above, amendments to various accounting standards have also been issued by the IASB as a result of its annual improvement project. Such improvements are generally effective for accounting periods beginning on or after January 1, 2010. The Company's management expects that such improvements to the standards will not have any material impact on the Company's financial statements.



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4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Financial assets

4.1.1 Classification

The Company classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the appropriate classification of its financial assets at initial recognition and re-evaluates this classification on a regular basis.

a) Financial assets at fair value through profit or loss

Financial assets that are acquired principally for the purpose of generating profit from short-term fluctuations in prices are classified as held for trading in the 'Financial assets at fair value through profit or loss' category.

Investments in unquoted debt securities, if any, are carried at fair value.

b) Loans and receivables

These are non-derivatives financial assets with fixed or determinable payments that are not quoted in an active market.

c) Available for sale

Available for sale financial assets are those non-derivative financial assets that are designated as available for sale or are not classified as (a) loans and receivables, (b) held to maturity investments or (c) financial assets at fair value through profit or loss.

4.1.2 Regular way contracts

Regular purchases and sales of financial assets are recognised on the trade date - the date on which the Company commits to purchase or sell the asset.

4.1.3 Initial recognition and measurement

All financial assets are initially recognised at cost, being the fair value of the consideration given including the transaction cost associated with the investment, except in case of financial assets at fair value through profit or loss, in which case the transaction costs are charged to the income statement.

4.1.4 Subsequent measurement

Subsequent to initial recognition, financial assets designated by the management as at fair value through profit or loss and available for sale are valued as follows:

a) Basis of valuation of Term Finance Certificates

As per SECP directive dated January 06, 2009, term finance certificates are valued on the basis of traded, thinly traded and non traded securities. The circular also specifies the criteria for the provisioning of non-performing debt securities. Accordingly, term finance certificates have been valued at the rates determined and announced by MUFAP based on the methodology prescribed in the said circular.



SAFeway MUTUAL FUND LIMITED

Prior to the issuance of the said circular investment in term finance certificates were valued at the rates notified by MUFAP in accordance with the requirements of Regulation 2(1)(xvi) of the Non-Banking Finance Companies and Notified Entities Regulation, 2007.

b) Basis of valuation of equity securities

The investment of the Company in equity securities is valued on the basis of closing quoted market prices available at the stock exchange. A security listed on the stock exchange for which no sale is reported on the balance sheet date is valued at its last sale price on the next preceding date on which such exchange is open and if no sale is reported for such date the security is valued at an amount neither higher than the closing asked price nor lower than the closing bid price.

Net gains and losses arising on changes in the fair value of financial assets carried at fair value through profit or loss are taken to the income statement.

Net gains and losses arising on changes in fair value of available for sale financial assets are taken to equity until these are derecognised. At this time, the cumulative gain or loss previously recognised directly in equity is transferred to the income statement.

4.1.5 Derecognition

Financial assets are derecognised when the right to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

4.1.6 Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of assets and liabilities when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

4.2 Financial liabilities

All financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired.

4.3 Derivatives

Derivative instruments are initially recognised at fair value and subsequent to initial measurement each derivative instrument is measured to its fair value and resultant gain or loss is recognised in the income statement.

4.4 Impairment of non-financial assets

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.



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4.5 Securities under resale agreements - Continuous Funding System (CFS) transactions

Securities purchased under an agreement to resell (reverse repo) are included as receivable against CFS transactions at the fair value of consideration given. All purchases and sales of securities that require delivery within the time frame established by regulation or market convention are recognised at the trade date. Trade date is the date on which the Company commits to purchase or sell the asset. The CFS transactions are accounted for on settlement date. The difference between the purchase and sale price is treated as income from CFS transactions in the income statement and is recognised over the term of respective transactions.

4.6 Taxation

Current

Provision for current tax is based on the taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year if enacted. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the year for such years.

Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilised.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted or substantively enacted by the date of 'Statement of assets and liabilities'. Deferred tax is charged or credited in the income statement, except in the case of items credited or charged to equity in which case it is included in equity.

4.7 Creditors, accruals and provisions

Liabilities for creditors and other amounts payable are carried at cost, which is the fair value of the consideration to be paid in the future for the goods and/or services received, whether or not billed to the Company.

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

4.8 Cash and cash equivalents

Cash and cash equivalents are carried on the 'Statement of assets and liabilities' at cost. For the purpose of cash flow statement, cash and cash equivalents comprise cash in hand and other short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.



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4.9 Revenue Recognition

Realised capital gains/ (losses) arising on sale of securities are included in the income statement in the period in which they arise.

Unrealised capital gains/ (losses) arising on revaluation of securities classified as 'financial assets at fair value through profit or loss' are included in the income statement in the period in which they arise.

Dividend income and entitlement of bonus shares is recognised when right to receive such dividend and bonus shares is established.

Return on deposits is accrued on a time proportion basis by reference to the principal outstanding and the applicable rate of return.

Income on CFS transactions is recognised on an accrual basis.

4.10 Critical accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, income and expenses. It also requires management to exercise judgment in application of its accounting policies. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. These estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

The significant areas where judgments were made by the management in the application of accounting policies relate to classification and measurement of its investment portfolio as disclosed in notes 4.1 and 6 of these financial statements.

	Note	2010	2009
		(Rupees in thousand)	
5. BANK BALANCES			
In saving account		100,298	1,256
In current accounts		75	125
		<u>100,373</u>	<u>1,381</u>

The balances in saving accounts bear mark up which ranges from 5% to 10% (2009: 5% to 10%) per annum.

6. SHORT TERM INVESTMENTS

Investments in marketable securities at fair value through profit or loss available for sale	6.1	579,764	447,637
	6.2	-	82,264
		<u>579,764</u>	<u>529,901</u>



SAFEWAY MUTUAL FUND LIMITED

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

Name of the Investee Company	No of shares				Balance as at June 30, 2010			Percentage in relation to				
	As at July 01, 2009	Purchases/ adjustments during the period	Bonus / rights	Sales / adjustments during the period	As at June 30, 2010	Cost	Carrying cost	Market Value	Appreciation / (diminution)	Market value as a percentage of net assets	Market value as a percentage of paid up capital of the investee company	Market value as a percentage of total market value of investments
Shares of listed companies - Fully paid ordinary shares of Rs 10 each unless stated otherwise												
----- Rupees in thousand -----												
RELATED PARTIES												
Food Producers												
Shakarganj Mills Limited	-	2,118,785	-	-	2,118,785	16,902	16,902	8,051	(8,851)	1.19	1.39	3.05
						16,902	16,902	8,051	(8,851)	1.19	1.39	3.05
Industrial Metal and Mining												
Crescent Steel and Allied Products Limited	-	1,233,739	-	-	1,233,739	29,751	29,751	30,979	1,228	4.54	5.34	2.19
						29,751	29,751	30,979	1,228	4.54	5.34	2.19
OTHERS												
Fixed Line Telecommunication												
Pakistan Telecommunication Company Limited	831,875	2,285,000	-	2,416,875	700,000	12,533	12,533	12,460	(73)	1.83	2.15	0.02
		1,000,000	-	-	1,000,000	10,000	10,000	6,230	(3,770)	0.91	1.07	0.16
Wateen Telecom Limited	-	-	-	-	-	22,533	22,533	18,690	(3,843)	2.74	3.22	0.18
Chemicals												
Engro Corporation Limited	-	704,806	18,875	723,681	-	-	-	-	-	-	-	-
Fauji Fertilizer Bin Qasim Limited	-	1,407,606	-	1,407,606	-	-	-	-	-	-	-	-
Fauji Fertilizer Company Limited	-	10,000	-	10,000	-	-	-	-	-	-	-	-
Lottee Pakistan PTA Limited	-	1,029,000	-	500,000	529,000	5,392	5,392	4,264	(1,128)	0.62	0.74	0.03
Sitara Peroxide Limited	102,000	-	-	102,000	-	5,392	5,392	4,264	(1,128)	0.62	0.74	0.03
Bonds												
Maple Leaf Cement Factory Limited-SUKUK Certificate	2,000	-	-	2,000	-	-	-	-	-	-	-	-
Banks												
Allied Bank Limited	300,000	90,300	-	390,300	-	-	-	-	-	-	-	-
ArifHabib Bank Limited	250,000	-	-	250,000	-	-	-	-	-	-	-	-
Atlas Bank Limited	250,000	-	-	250,000	-	-	-	-	-	-	-	-
Bank Al Falah Limited	3,060,963	3,475,705	-	6,536,668	77,977	71,328	61,837	(9,491)	9.06	10.67	0.48	
MCB Bank Limited	170,000	90,000	-	260,000	-	-	-	-	-	-	-	-
My Bank Limited	500,000	-	-	500,000	-	-	-	-	-	-	-	-
National Bank of Limited	422,748	371,215	-	793,963	-	-	-	-	-	-	-	-
Samba Bank Limited	1,461,500	1,282,722	-	495,000	2,245,222	26,608	6,972	5,097	(1,875)	0.75	0.88	0.16
	-	1,424,838	-	1,424,838	1,424,838	30,213	30,213	39,148	8,935	5.74	6.75	0.06
United Bank Limited - R	-	831,800	65,650	175,300	722,150	134,798	108,513	106,082	(2,431)	15.55	18.30	0.70



SAFEWAY MUTUAL FUND LIMITED

Name of the Investee Company	No of shares				Balance as at June 30, 2010			Percentage in relation to				
	As at July 01, 2009	Purchases/ adjustments during the period	Bonus / rights	Sales / adjustments during the period	As at June 30, 2010	Cost	Carrying cost	Market Value	Appreciation / (diminution)	Market value as a percentage of net assets	Market value as a percentage of paid up capital of the investee company	Market value as a percentage of total market value of investments
Automobile & Parts												
Agriantos Industries Limited	100,000	-	-	100,000	-	-	-	-	-	-	-	-
Pak Suzuki Motor Company Limited	144,200	-	-	10,000	134,200	21,967	9,112	10,638	1,526	1,526	1,83	0.16
Oil and Gas												
Attock Petroleum Limited	7,100	77,933	-	50,020	35,013	10,785	10,785	10,145	(640)	1.49	1.75	0.06
Oil & Gas Development Company Limited	650,000	325,000	-	975,000	-	-	-	-	-	-	-	-
Pakistan Oilfields Limited	315,095	621,000	-	616,095	320,000	75,010	75,010	69,088	(5,922)	10.12	11.92	0.14
Pakistan Petroleum Limited	-	395,000	-	250,000	145,000	27,392	27,392	26,697	(695)	3.91	4.60	0.01
Pakistan State Oil Company Limited	200,000	246,438	-	210,000	236,438	69,293	69,293	61,521	(7,772)	9.01	10.61	0.14
Financial Services												
Arif Habib Securities Limited	1,127,100	1,347,442	-	2,474,542	-	-	-	-	-	-	-	-
Escorts Investment Bank Limited	-	75,110	-	-	75,110	1,290	290	217	(73)	0.03	0.04	0.17
Innovative Investment Bank Limited (note 6.1.1)	14,003	-	-	-	14,003	1	1	1	-	-	-	-
Invest Capital Investment Bank Limited (Formerly : Al Zamin Leasing Corporation Limited)	-	3,015,000	-	2,521,178	493,822	448	448	420	(28)	0.06	0.07	0.17
Jahangir Siddiqui & Company Limited	300,008	1,450,000	-	1,750,008	-	-	-	-	-	-	-	-
Saudi Pak Leasing Company Limited	95,000	-	-	95,000	-	-	-	-	-	-	-	-
Construction and Materials												
D.G. Khan Cement Company Limited	1,277,743	1,871,812	1,008,474	1,223,385	2,934,644	90,384	86,639	69,316	(17,323)	10.16	11.96	0.80
D.G. Khan Cement Company Limited - R	-	519,367	-	519,367	-	-	-	-	-	-	-	-
Fauji Cement Company Limited	-	850,000	-	850,000	-	-	-	-	-	-	-	-
Lucky Cement Limited	257,000	2,165,062	-	1,523,483	898,579	58,237	58,237	55,838	(2,399)	8.18	9.63	0.28
Industrial Transport												
Pakistan National Shipping Corporation Limited	100,000	-	-	-	100,000	6,706	4,616	3,989	(627)	0.58	0.69	0.08
Personal Goods												
Amtext Limited	-	1,000,000	-	1,000,000	-	-	-	-	-	-	-	-
Azgard Nine Limited	-	1,025,000	-	1,025,000	-	-	-	-	-	-	-	-
Nishat Mills Limited	525,022	1,089,288	-	1,614,310	-	-	-	-	-	-	-	-
Shaheen Cotton Mills Limited	527,900	7,030	-	534,930	-	-	-	-	-	-	-	-
Thal Limited	228,820	82,397	55,574	-	366,791	36,085	27,015	34,823	7,808	5.10	6.01	0.72
The Crescent Textile Mills Limited	-	1,442,063	-	-	1,442,063	38,424	38,424	31,105	(7,319)	4.56	5.37	2.93
Total												
					74,509	65,439	65,928	489	9.66	11.38	3.65	



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Name of the Investee Company	No. of shares					Balance as at June 30, 2010			Percentage in relation to			
	As at July 01, 2009	Purchases/ adjustments during the period	Bonus/ rights	Sales/ adjustments during the period	As at June 30, 2010	Cost	Carrying cost	Market Value	Appreciation/ (diminution)	Market value as a percentage of net assets	Market value as a percentage of paid up capital of the investee company	Market value as a percentage of total market value of investments
Rupees in thousand												
Household Goods												
Pak Elektron Limited - Pref. shares (note 6.1.3)	1,875,000	-	-	-	1,875,000	18,752	18,750	18,750	-	2.75	3.23	1.88
Travel and Leisure												
Pakistan Services Limited	54,400	-	-	54,401	-	-	-	-	-	-	-	-
Electricity												
Altern Energy Limited	-	1,680,404	-	-	1,680,404	15,096	15,096	17,359	2,263	2.54	2.99	0.49
Kohinoor Energy Limited	25,000	-	-	25,000	-	-	-	-	-	-	-	-
Non Life Insurance												
Adanjee Insurance Company Limited	-	35,070	-	35,070	-	-	-	-	-	-	-	-
Real Estate Investment and Services												
Pace Pakistan Limited	-	1,018,282	-	516,526	501,756	2,648	2,648	1,791	(857)	0.26	0.31	0.18
Equity Investment Instruments												
Crescent Standard Modaraba	-	634,500	-	634,500	-	-	-	-	-	-	-	-
Total	2010	15,174,477	38,328,715	1,148,573	26,888,540	27,763,225	680,894	626,847	579,764	(47,083)		
Total	2009	13,994,504	12,424,103	1,380,239	12,624,369	15,174,477	587,432	536,406	447,638	(88,768)		

6.1.1 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.

6.1.2 1,445,537 shares of D.G. Khan Cement Company Limited, 400,000 shares of United Bank Limited and 4,949,871 shares of Bank Al Falah Limited have been pledged with National Clearing Company of Pakistan Limited (NCCPL) as collateral against trading facility in the stock exchange.

6.1.3 These represent cumulative non-voting preference shares having a face value of Rs. 10 each. These preference shares became eligible for conversion into ordinary shares during the year, however, this option has not yet been exercised by the management.



6.2 Investments in marketable securities - 'available for sale'

Name of the Investee Company	No of shares					Balance as at June 30, 2010			Percentage in relation to			
	As at July 01, 2009	Purchases/ adjustments during the period	Bonus / rights	Sales / adjustments during the period	As at June 30, 2010	Cost	Carrying cost	Market Value	Appreciation / (diminution)	Market value as a percentage of net assets	Market value as a percentage of paid up capital of the investee company	Market value as a percentage of total market value of investments
Shares of listed companies - Fully paid ordinary shares of Rs 10 each unless stated otherwise												
RELATED PARTIES												
Food Producers												
Shakarganj Mills Limited	2,403,509	-	-	2,403,509	-	-	-	-	-	-	-	-
Industrial Metal and Mining												
Crescent Steel & Allied Products Limited	1,234,495	-	-	1,234,495	-	-	-	-	-	-	-	-
OTHERS												
Financial Services												
Invest Capital Investment Bank Limited (Formerly: Al-Zamin Leasing Corporation Limited)	398,000	-	-	398,000	-	-	-	-	-	-	-	-
Electricity												
Altern Energy Limited	1,480,000	-	-	1,480,000	-	-	-	-	-	-	-	-
Personal Goods												
Crescent Textile Mills Limited	1,438,278	-	-	1,438,278	-	-	-	-	-	-	-	-
TOTAL 2010	6,954,282			6,954,282								
TOTAL 2009	6,991,311			6,991,311								
		946	112,186	150,161	6,954,282	161,134	82,264	(78,870)				



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	Note	2010	2009
(Rupees in thousand)			
6.3 Net unrealised appreciation in the value of investments classified as 'available for sale'			
Market value	6.2	-	82,264
Less: cost	6.2	-	(161,134)
Add: impairment charge recognised in income statement	6.3.1	-	(78,870)
		-	39,435
		-	(39,435)
6.3.1 Impairment charge			
Opening balance		39,435	-
Add: impairment charge recognised during the year		-	39,435
Less: sales of investments		(39,435)	-
Closing balance		-	39,435

7. REMUNERATION PAYABLE TO ASSET MANAGER

Under the provisions of the NBFC Regulations, the Asset Manager of the Company is entitled to a remuneration, to be paid monthly in arrears. The Asset Manager has charged its remuneration for the current year at the rate of two percent per annum.

8. ACCRUED EXPENSES AND OTHER LIABILITIES

Fee payable to Securities and Exchange Commission of Pakistan	671	573
Custodian fee and settlement charges payable	52	30
Audit fee payable	325	340
Dividend payable	75	75
Other liabilities	-	1
	<u>1,123</u>	<u>1,019</u>

9. SHARE CAPITAL

9.1 Authorized share capital

60,000,000 (2009: 60,000,000) ordinary shares of Rs. 10 each

600,000 600,000

9.2 Issued, subscribed and paid-up share capital

Number of ordinary shares of Rs.10 each

39,750,000	39,750,000	Fully paid in cash	397,500	397,500
14,700,000	14,700,000	Fully paid bonus shares	147,000	147,000
<u>54,450,000</u>	<u>54,450,000</u>		<u>544,500</u>	<u>544,500</u>

The share holding of associated undertakings of the Company are as follows:

	(Number of shares)	
Safeway Fund Limited	7,888,469	7,962,103
Crescent Steel and Allied Products Limited	7,960,763	7,960,763
Shakarganj Mills Limited	16,579,143	29,215,402
	<u>32,428,375</u>	<u>45,138,268</u>



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9.3 Pattern of share holding as at June 30, 2010:

Category	Number of shareholders	Shares held	Percentage
Individuals	209	15,624,803	28.70
Associated companies / Directors	8	32,431,324	59.56
Banks / DFIs	3	5,022,806	9.22
Retirement funds	6	1,370,225	2.52
Others	3	842	-
	<u>229</u>	<u>54,450,000</u>	<u>100.00</u>

Pattern of share holding as at June 30, 2009:

Category	Number of shareholders	Shares held	Percentage
Individuals	224	3,049,549	5.60
Associated companies / Directors	7	44,870,968	82.41
Banks / DFIs	3	5,156,765	9.47
Retirement funds	6	1,370,225	2.52
Others	5	2,493	-
	<u>245</u>	<u>54,450,000</u>	<u>100</u>

10 RESERVES

	-----Capital reserve-----		Revenue reserve		
	Share premium	Unrealized diminution in value of investments	Un appropriated losses	Tota 2010	
------(Rupees in thousand)-----					
Balance as at July 01, 2009	33,000	(39,435)	(4,537)	(10,972)	340,332
Final dividend	-	-	-	-	(13,612)
Transfer on disposal of 'available for sale' investment	-	39,435	-	39,435	(3,503)
Loss on remeasurement of 'available for sale' investments	-	-	-	-	(148,045)
Impairment charge on investments classified as 'available for sale'	-	-	-	-	39,435
Net income / (loss) for the year	-	-	109,535	109,535	(225,579)
Balance as at June 30, 2010	<u>33,000</u>	<u>-</u>	<u>104,998</u>	<u>137,998</u>	<u>(10,972)</u>

11 CONTINGENCIES AND COMMITMENTS

11.1 Contingencies

11.1.1 Through 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. Management, based on a legal advice and a clarification issued by the Ministry of Labour and Manpower, is of a firm view that Collective Investment Schemes are paper entities and are not establishments, accordingly, the WWF Ordinance is not applicable and therefore no provision is required in the financial statements. However, in a remotely probable event, if the Collective Investment Schemes are considered as industrial establishments, the impact on the NAV per share will be Rs. 0.04 as of June 30, 2010.



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11.1.2 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 has filed an appeal before the Commissioner of Income Tax (Appeals) against the said additional liability, for which hearing is still pending. The management is confident that the appeal will be decided in favour of the Company.

11.2 Commitment

There were no commitments as of the balance sheet date.

	2010	2009
	(Rupees in thousand)	
12 OTHER INCOME		
Profit on bank account	10,750	1,507
Other	-	281
	<u>10,750</u>	<u>1,788</u>
13 AUDITORS' REMUNERATION		
Statutory audit	300	300
Half yearly review	165	165
Certification and other services	25	25
Out of pocket expenses	19	59
	<u>509</u>	<u>549</u>
14 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.

15 LIST OF TOP TEN BROKERS BY PERCENTAGE OF COMMISSION PAID

	2010
	(Percentage)
Arif Habib Limited	19.93
Cassim Investments (Private) Limited	19.54
Global Securities Pakistan Limited	15.18
AKD Securities Limited	14.82
Y.H.Securities (Private) Limited	12.07
KASB Securities Limited	3.76
Topline Securities (Private) Limited	3.11
Foundation Securities (Private) Limited	2.76
JS Global Capital Limited	1.35
Pearl Securities Limited	1.12
	2009
	(Percentage)
AKD Securities Limited	14.82
Arif Habib Limited	14.63
Cassim Investments (Private) Limited	13.90
KASB Securities Limited	10.95
Ace Securities (Private) Limited.	9.41
Foundation Securities (Private) Limited	9.28
Invest Capital Investment Bank Limited	5.70
JS Global Capital Limited	4.75
Y.H.Securities (Private) Limited	4.54
Adam Haji Mohammad Securities (Private) Limited	2.14



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16 FINANCIAL RISK MANAGEMENT

The Company primarily invests in shares of listed companies including preference shares and term finance certificates. Such investments are subject to varying degrees of risk. These risks emanates from various factors that include, but are not limited to the following:

16.1 Market risk

Market risk is the risk that the value of financial instruments may fluctuate as a result of changes in market price of securities due to change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market.

The Company manages market risk by monitoring exposure on marketable securities by following internal risk management policies and investment guidelines approved by the Investment Committee and regulations laid down by the Securities and Exchange Commission of Pakistan.

Market risk comprises of three types of risk: currency risk, interest rate risk and other price risk.

16.1.1 Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company, at present, is not exposed to currency risk as its operations are geographically restricted to Pakistan and all transactions are carried out in Pak Rupees.

16.1.2 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As the Company has no significant interest-bearing assets, the Company's income and operating cash flows are substantially independent of changes in market interest rates.

16.1.2.1 The following table analyses the Company's interest rate exposure categorized on the basis of the earlier contractual repricing and maturity date.

Exposed to MROR risk as at June 30, 2010

	Upto three months	More than three months and upto one year	More than one year	Not exposed to MROR risk	Total
---(Rupees in thousand)---					
On-balance sheet financial instruments					
Financial assets					
Cash and bank balances	100,373	-	-	-	100,373
Prepayments and other receivable	-	-	-	742	742
- Mark up receivable	-	-	-	579,764	579,764
Short term investments	-	-	-	1,225	1,225
Dividend receivable	-	-	-	2,615	2,615
Long term deposits	100,373	-	-	584,346	684,719
Financial liabilities					
Remuneration payable to Investment Adviser	-	-	-	1,129	1,129
Accrued expenses and other liabilities	-	-	-	1,123	1,123
	-	-	-	2,252	2,252
On-balance sheet gap	<u>100,373</u>	<u>-</u>	<u>-</u>	<u>582,094</u>	<u>682,467</u>
Off-balance sheet financial instruments	-	-	-	-	-
Off-balance sheet gap	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total MROR Sensitivity gap	<u>100,373</u>	<u>-</u>	<u>-</u>		



SAFEGWAY MUTUAL FUND LIMITED

Exposed to MROR risk as at June 30, 2009

	Upto three months	More than three months and upto one year	More than one year	Not exposed to MROR risk	Total
---(Rupees in thousand)---					
On-balance sheet financial instruments					
Financial assets					
Cash and bank balances	1,381	-	-	-	1,381
Prepayments and other receivable					
- Mark up receivable	-	-	-	134	134
Short term investments	9,001	-	-	520,900	529,901
Dividend receivable	-	-	-	1,400	1,400
Long term deposits	-	-	-	2,615	2,615
	<u>10,382</u>	<u>-</u>	<u>-</u>	<u>525,049</u>	<u>535,431</u>
Financial liabilities					
Remuneration payable to Investment Adviser	-	-	-	915	915
Accrued expenses and other liabilities	-	-	-	1,019	1,019
	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,934</u>	<u>1,934</u>
On-balance sheet gap	<u>10,382</u>	<u>-</u>	<u>-</u>	<u>523,115</u>	<u>533,497</u>
Off-balance sheet financial instruments	-	-	-	-	-
Off-balance sheet gap	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total MROR sensitivity gap	<u>10,382</u>	<u>-</u>	<u>-</u>		

	2010	2009
	Percentage per annum	
16.1.2.2 The rate of return on financial instruments are as follows:		
Bank balances	5% - 10%	7% - 9%
Short term investments	-	14.85% - 17.37%
Receivable against continuous funding system	-	13% - 100%

16.1.3 Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Company is exposed to equity securities price risk because of investments held by the Company and classified on the statement of assets and liabilities as financial assets at fair value through 'profit or loss'. To manage its price risk arising from investments in equity securities, the Company diversifies its portfolio within the eligible stocks prescribed in the constitutive document. The Company's constitutive document / regulations also limit individual equity securities to no more than 10% of net assets of the Scheme or the index weight of the security subject to the limit of fifteen percent, whichever is higher, and sector exposure limit to 30% or index weight whichever is higher, subject to maximum of 35%.

In case of 1% increase/decrease in KSE 100 index on June 30, 2010, net loss for the year would decrease/increase by Rs 4.610 million (2009: Rs 4.107 million) and net assets of the Company would increase/decrease by the same as a result of gains/losses on equity securities classified at fair value through profit or loss.



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The analysis is based on the assumption that the equity index had increased / decreased by 1% with all other variables held constant and all the Company's equity instruments moved according to the historical correlation with the index. This represents management's best estimate of a reasonable possible shift in the KSE 100 index, having regard to the historical volatility of the index. The composition of the Company's investment portfolio and the correlation thereof to the KSE 100 index, is expected to change over time. Accordingly, the sensitivity analysis prepared as of June 30, 2010 is not necessarily indicative of the effect on the Company's net assets of future movements in the level of the KSE 100 Index.

16.2 Credit risk

Credit risk arises from the inability of the counter parties to fulfil their obligations in respect of financial instruments contracts. All investing transactions are settled / paid for upon delivery using approved brokers. The Company's policy is to enter into financial instruments contract by following internal guidelines such as approving counterparties and carrying out transactions through approved brokers. The credit risk also arises from deposits with banks and financial institutions, and credit exposure arising as a result of dividends receivable on equity securities. For banks and financial institutions, only reputed parties are accepted. Credit risk on dividend receivable is minimal due to statutory protection. All transactions in listed securities are settled / paid for upon delivery using the central clearing company. The risk of default is considered minimal due to inherent systematic measures taken therein.

16.2.1 Concentration of credit risk

Concentration of credit risk exists when changes in economic or industry factors similarly affect group of counter parties whose aggregate credit exposure is significant in relation to the Company's total credit exposure. The Company's portfolio of financial instruments is broadly diversified and transactions are entered into with diverse creditworthy counterparties thereby mitigating any significant concentration of credit risk.

The analysis below summarises the credit quality of the Company's investment in debt securities as at June 30, 2010 and June 30, 2009:

	June 30, 2010	June 30, 2009
16.2.2 Debt Securities by rating category	(Rupees in thousand)	
A, A-, A+	-	10,058

The maximum exposure to credit risk before any credit enhancement as at June 30, 2010 is the carrying amount of the financial assets. None of these assets are impaired.

16.3 Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. The Company is not materially exposed to liquidity risk as all obligations/commitments of the Company are short term in nature and are restricted to the extent of available liquidity and all assets of the Company are readily disposable in the market.



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The maturity profile of the Company's liabilities based on contractual maturities is given below:

	As at June 30, 2010			
	Total	Upto three months	More than three months and upto one year	More than one year
	----- (Rupees in thousand) -----			
Liabilities				
Remuneration payable to Asset Manager	1,129	1,129	-	-
Accrued expenses and other liabilities	1,123	1,123	-	-
	<u>2,252</u>	<u>2,252</u>	<u>-</u>	<u>-</u>
	----- (Rupees in thousand) -----			
	As at June 30, 2009			
	Total	Upto three months	More than three months and upto one year	More than one year
	----- (Rupees in thousand) -----			
Liabilities				
Remuneration payable to Asset Manager	915	915	-	-
Accrued expenses and other liabilities	1,019	1,019	-	-
	<u>1,934</u>	<u>1,934</u>	<u>-</u>	<u>-</u>

16.4 Sensitivity analysis for variable rate instruments

Presently, the Company has no holding of KIBOR based interest bearing debt securities exposing the Company to cash flow interest rate risk. In case of 100 basis points increase / decrease in KIBOR on June 30, 2010, with all other variables held constant, the net assets of the Company and net income for the year would have no effect. (2009: Rs 0.10 million).

16.5 Sensitivity analysis for fixed rate instruments

Presently, the Company has no holding of fixed interest bearing debt securities exposing the Company to cash flow interest rate risk. In case of 100 basis points increase / decrease in rates announced by Financial Market Association on June 30, 2010, with all other variables held constant, the net assets for the year would have no effect (2009: Rs 0.018 million).

17 FINANCIAL INSTRUMENTS BY CATEGORY

	As at June 30, 2010			
	Loans and receivables	Assets at fair value through profit or loss	Available for sale	Total
	----- (Rupees in thousand) -----			
Assets				
Cash and bank balances	100,373	-	-	100,373
Short term investments	-	579,764	-	579,764
Dividend receivable	1,225	-	-	1,225
Income tax receivable	31	-	-	31
Mark up receivable	742	-	-	742
Long term deposit	2,615	-	-	2,615
	<u>104,986</u>	<u>579,764</u>	<u>-</u>	<u>684,750</u>



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As at June 30, 2010

	Liabilities at fair value through profit or loss	Other financial liabilities	Total
----- (Rupees in thousand) -----			
Liabilities			
Remuneration payable to Asset Manager	-	1,129	1,129
Accrued expenses and other liabilities	-	1,123	1,123
	<u>-</u>	<u>2,252</u>	<u>2,252</u>

As at June 30, 2009

	Loans and receivables	Assets at fair value through profit or loss	Available for sale	Total
----- (Rupees in thousand) -----				
Assets				
Cash and bank balances	1,381	-	-	1,381
Short term investments	-	447,637	82,264	529,901
Dividend receivable	1,400	-	-	1,400
Income tax receivable	31	-	-	31
Mark up receivable	134	-	-	134
Long term security deposit	2,615	-	-	2,615
	<u>5,561</u>	<u>447,637</u>	<u>82,264</u>	<u>535,462</u>

As at June 30, 2009

	Liabilities at fair value through profit or loss	Other financial liabilities	Total
----- (Rupees in thousand) -----			
Liabilities			
Remuneration payable to Asset Manager	-	915	915
Accrued expenses and other liabilities	-	1,019	1,019
	<u>-</u>	<u>1,934</u>	<u>1,934</u>

18 CAPITAL MANAGEMENT

Safeway Mutual Fund Limited is a closed end fund. The Company has a limited number of shares subscribed at the Company's inception. However, further public offering may be made at the Company's discretion. The Company's shares are not redeemable directly with the Company; instead shares are traded on the stock exchange at a price that is either at a premium or discount to the shares net asset value.

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern so that it can continue to provide returns for shareholders and to maintain a strong capital base to meet unexpected losses or opportunities. In accordance with the NBFC Regulations the Company is required to distribute at least ninety percent of its income from sources other than capital gains as reduced by such expenses as are chargeable to the Company.

In order to maintain or adjust the capital structure, the Company may adjust dividends paid to shareholders or issue new shares.



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19 FAIR VALUE OF FINANCIAL INVESTMENTS

The Company's accounting policy on fair value measurements of the investments is discussed in note 4.1 to these financial statements.

The Company measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Fair value measurements using inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

As at June 30, 2010, all the investments were categorised in Level 1.

20 ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS

The Board of Directors of the Company met on August 20, 2009, October 29, 2009, February 22, 2010 and April 22, 2010 during the year. The number of meetings attended by each director are set out below:

Name of Director	Number of meetings		
	Held *	Attended	Leave granted
Mr. Anjum M. Saleem	4	4	0
Ms. Tehmeena Khan	4	4	0
Mr. Amjad Farooq	4	2	2
Mr. Faraz Ahmed	4	3	1
Mr. Mohammad Amin	4	1	3
Mr. Mohammad Awais Qureshi	4	3	1
Mr. Mohammad Saad Thaniana	4	2	2

* Being the number of meetings the Directors were eligible to attend.

21 INVESTMENT COMMITTEE COMPOSITION

The Investment Committee's mandate is to continually monitor and review the Company's asset allocation in view of prevailing market conditions and identify opportunities and decisions which are required to both safeguard and strengthen the shareholders investment. The conduct of the Investment Committee is regulated by a Board's approved Investment Committee Charter. The Investment Committee comprises of the following individuals:

Name	Designation	Qualification	Experience
Mr. Nihal Cassim	Chief Executive Officer (SFL)	MBA (McGill University - Canada)	11 years
Ms. Tehmeena Khan	Company Secretary (SFL)	ACA (ICAEW)	7 years
Mr. M. Turab Hasny	Financial Accountant (SFL)	B. Com	7 years

Mr. Nihal Cassim is the Fund Manager of the Company. He is also managing Asian Stocks Fund Limited.



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	2010	2009
	(Rupees in thousand)	
22 EARNINGS PER SHARE		
22.1 Basic earnings per share		
Net income / (loss) for the year (with unrealised diminution)	<u>109,535</u>	<u>(225,579)</u>
Net income / (loss) for the year (without unrealised diminution)	<u>156,618</u>	<u>(136,811)</u>
Weighted average number of ordinary shares outstanding during the year	Number in thousand <u>54,450</u>	<u>54,450</u>
Earnings/(loss) per share (with unrealised diminution)	Rupees <u>2.01</u>	<u>(4.14)</u>
Earnings/(loss) per share (without unrealised diminution)	Rupees <u>2.88</u>	<u>(2.51)</u>

22.2 Diluted earnings per share

A diluted earnings per share has not been presented as the Company does not have any convertible instruments in issue as at June 30, 2010 and June 30, 2009 which would have any effect on the earnings per share if the option to convert is exercised.

23 TRANSACTIONS 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 Management Company 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.

Transactions and balances with related parties are as follows:

	2010	2009
	(Rupees in thousand)	
23.1 Transactions during the year		
Remuneration to Asset Manager		
Safeway Fund Limited	14,119	11,812
Remuneration to Custodian		
Central Depository Company of Pakistan Limited	687	804
Commission Paid		
Cassim Investments (Private) Limited	759	240
Fees Paid to Directors	114	120
Dividend paid		
Shakarganj Mills Limited	-	7,304
Crescent Steel & Allied Products Limited	-	1,990
Safeway Fund Limited	-	1,548
Asian Capital Management Limited	-	375
Invest Capital Investment Bank Limited (Formerly :Al-Zamin Leasing Corporation Limited)	-	400
Dividend income		
Crescent Steel & Allied Products Limited	2,467	-
Sale of marketable securities	92,010	-
Purchase of marketable securities	86,498	-



SAFEWAY MUTUAL FUND LIMITED

	2010	2009
23.2 Balance outstanding at the year end	(Rupees in thousand)	
Remuneration payable to Asset Manager		
Safeway Fund Limited	1,129	915
Remuneration payable to Custodian		
Central Depository Company of Pakistan Limited	36	30

24. PROFIT DISTRIBUTION AND APPROPRIATION

Subsequent to the year ended June 30, 2010, the Board of Directors of the Management Company has declared a final distribution of Rs.1.82 per share, amounting to total income distribution of Rs. 99.099 million (2009: Nil) in its meeting held on September 23, 2010.

25. DATE OF AUTHORIZATION FOR ISSUE

These financial statements have been authorized for issue on September 23, 2010, by the Board of Directors of the Company.

26. CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of comparison. However no significant reclassification has been made except the following:

From	To	Rupees in thousands	Purpose
Capital loss on sale of investments - net	Brokerage and federal excise duty	1,230	For better presentation
Unrealized diminution on investments at fair value through profit or loss"	Brokerage and federal excise duty	584	For better presentation

27. GENERAL

27.1 The bifurcation of undistributed income into realized and unrealized income at the beginning and end of the year as required by the NBFC Regulations has not been disclosed as such bifurcation is not practicable.

27.2 Figures have been rounded off to the nearest thousand Rupees.

Tahmeena
Chief Executive

Mohammad Awais Qureshi
Director

**SAFEWAY MUTUAL FUND LIMITED****STATEMENT OF INCOME AND EXPENDITURE
IN RELATION TO THE ASSET MANAGER
FOR THE YEAR ENDED JUNE 30, 2010**

	2010	2009
	(Rupees in thousand)	
INCOME		
Asset Management fee from Safeway Mutual Fund Limited	14,115,025	11,812,487
Asset Management fee from Asian Stocks Fund Limited	13,101,431	4,355,438
	27,216,456	16,167,925
OPERATING EXPENSES		
Salaries allowances and other benefits	18,948,478	16,176,445
Rent, rates and taxes	1,572,076	1,428,002
Utilities, telephone and internet	675,941	715,927
Entertainment	224,991	153,895
Office repair and maintenance	353,024	242,684
Travel, conveyance and vehicle running	900,151	432,395
Fee and subscription	1,240,880	1,072,782
Software maintenance	281,300	445,000
Legal and corporate charges	874,363	1,100,645
Postage, courier, printing and stationery	82,233	299,764
Auditors' remuneration	125,000	133,400
Insurance	158,367	291,898
Amortization and depreciation expenses	564,456	923,673
Bank charges	5,285	2,958
Lease rentals	-	653,313
Misc. expenses	-	119,032
Less : Expenses allocated to Asian Capital Management Limited	-	(5,247,314)
	26,006,545	18,944,499
Operating profit / (loss)	<u>1,209,911</u>	<u>(2,776,574)</u>

Note : Other revenue and expenditure not related to the Fund has not been included in the above statement.



SAFEWAY MUTUAL FUND LIMITED

PROXY FORM

I/We _____ of _____ (full address) being a member of SAFEWAY MUTUAL FUND LIMITED hereby appoint _____ of _____ (full address) or failing him/her _____ of _____ (full address) as my/our proxy to attend and vote for me/us and on my/our behalf at the 16th Annual General Meeting of the Company to be held on October 28, 2010 and at any adjournment thereof.

Signed this _____ of _____ 2010.
(day) (date, month)

Signature of Member: _____
Folio Number: _____
Number of shares held: _____

Please affix
Revenue Stamp
of Rs. 5/-

Witnesses
1. _____
2. _____

Signature and Company Seal

Notes:

- 1) All members are entitled to attend and vote at the Meeting.
- 2) A member entitled to attend and vote at this meeting may appoint another member as his/her proxy to attend and vote.
- 3) The instrument of proxy and the power of attorney or other commission (if any) under which it is signed, or notorially certified copy of that power of attorney or authority to be effective must be deposited at the Registered Office of the company not less than 48 hours before the time for holding the Meeting.
- 4) Members are advised to bring their Computerized National Identity Cards along with CDC Participant ID and account number at the meeting venue
- 5) If any proxies are granted by any such shareholders, the same must be accompanied with attested copies of the National Identity Cards of the grantors and the signatures on the proxy form should be the same as that appearing on the Computerized National Identity Cards.
- 6) The Share transfer books of the Company will remain closed from October 21, 2010 to October 28, 2010 (both days inclusive). Physical transfers and CDC Transaction IDs received in order at the the Registered Office of the Company up to the close of business on October 20, 2010 will be considered as on time for the determination of entitlement of shareholder to attend and vote at the meeting.
- 7) Members are required to immediately notify regarding any changes in their registered address.