

Annual Report 2012



**ASIAN
STOCKS FUND LIMITED**

Managed by Safeway Fund Limited

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GENERAL INFORMATION

Name of Company

Asian Stocks Fund Limited

Legal Status

Public limited company incorporated in Pakistan on June 13, 1994 under the Companies Ordinance, 1984.

Website and Email address

www.safewayfund.com
info@safewayfund.com

Company Registration number

0032734

National Tax Number

0709734-4

Asset Manager

Safeway Fund Limited

Custodian

Central Depository Company
of Pakistan Limited

Internal Auditors

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

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

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

Phone: 042 - 35788097-98

Fax: 042 - 35755215

Bankers

Bank Al Falah Limited

Legal Advisors

Ahmed & Qazi Advocates & Legal Consultants

Credit Rating Agency

JCR-VIS Credit Rating Company

Registered Office

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

Karachi Office

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

BOARD OF DIRECTORS AND THEIR COMMITTEES

Board of Directors

Mr. Pervez Akhtar	Chairman
Mr. Nihal Cassim	Chief Executive Officer
Mr. Abdul Rauf	Director
Mr. Ali Altaf Saleem	Director
Mr. Asif Ali	Director
Mr. Muhammad Naguib Saigal	Director
Mr. Syed Ghausuddin Saif	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. Muhammad Naguib Saigal	Chairman – Non Executive Director
Mr. Abdul Rauf	Member – Non Executive Director
Mr. Asif Ali	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
Ms. Tehmeena Khan	Chief Financial Officer
Mr. Mohammed Turab Hasny	Financial Accountant of the Asset Manager

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. Pervez Akhtar	Chairman
Mr. Nihal Cassim	Chief Executive Officer

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 18th Annual General Meeting of Asian Stocks Fund Limited, a closed end mutual fund incorporated under the laws of Pakistan and having its registered office at 10th Floor, BOP Tower, 10-B, Block E-2, Gulberg III, Lahore will be held at 10:00 am on October 25, 2012 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 Auditors' reports thereon for the year ended June 30, 2012.
- 2) To consider and approve a final cash dividend of 6% equal to Rs. 0.60 per share for the year ended June 30, 2012 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, 2013.

Registered Office

10th Floor, BOP Tower,
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 notarially 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
- (v) If any proxies are granted by any such shareholders, the same must be accompanied with attested copies of the National Identify 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 18, 2012 to October 25, 2012 (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 17, 2012 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.

PATTERN OF SHAREHOLDING

Pattern of Holding of the Shares held by the Shareholders as at June 30, 2012 is as follows:

No. of Shareholders	Shareholding		Total Shares held
	From	To	
103	1	100	5,340
537	101	500	266,371
49	501	1,000	48,203
49	1,001	5,000	133,617
5	5,001	10,000	41,379
1	10,001	15,000	12,500
3	15,001	20,000	53,714
1	30,001	35,000	32,824
1	35,001	40,000	35,953
1	40,001	45,000	40,500
1	85,001	90,000	85,962
1	95,001	100,000	100,000
1	115,001	120,000	118,004
1	170,001	175,000	173,705
1	340,001	345,000	344,813
1	430,001	435,000	431,358
1	585,001	590,000	585,924
1	1,080,001	1,085,000	1,081,000
1	1,130,001	1,135,000	1,131,330
1	1,370,001	1,375,000	1,373,798
1	9,055,001	9,060,000	9,060,000
1	9,735,001	9,740,000	9,738,611
1	12,760,001	12,765,000	12,760,938
1	16,245,001	16,250,000	16,245,673
1	18,035,001	18,040,000	18,039,500
1	18,055,001	18,060,000	18,058,983
766			90,000,000

**CATEGORIES OF SHAREHOLDERS
AS AT JUNE 30, 2012**

	Shares Held	% age
Directors, Chief Executive Officer, Their Spouse and Minor Children		
Mr. Abdul Rauf	500	0.00
Mr. Ali Altaf Saleem	500	0.00
Mr. Asif Ali	500	0.00
Mr. Muhammad Naguib Saigal	500	0.00
Mr. Muhammad Pervez Akhtar	500	0.00
Mr. Syed Ghausuddin Saif	503	0.00
	3,003	0.00
Associated Companies, Undertakings & Related Parties		
Safeway Fund Limited	22,499,549	25.00
Shakarganj Mills Limited	16,245,673	18.05
Crescent Steel and Allied Products Limited	9,060,000	10.07
	47,805,222	53.12
NIT & ICP		
National Investment Trust Limited	8,879	0.01
NBP Trustee Department - NI(U)T Fund	344,813	0.38
	353,692	0.39
Banks, NBFCs, DFIs, Takaful, Pension Funds		
Banks, NBFCs, DFIs, Takaful, Pension Funds	647,087	0.72
	647,087	0.72
Modarabas		
Modarabas	100	0.00
	100	0.00
Other Companies, Corporate Bodies, Trust etc.		
Other Companies, Corporate Bodies, Trust etc.	2,063,569	2.29
	2,063,569	2.29
General Public		
Local	39,127,327	43.47
	39,127,327	43.47
	90,000,000	100.00
Shareholders holding more than 10.00%		
Safeway Fund Limited	22,499,549	25.00
Firozuddin Cassim	18,058,983	20.07
Durain Cassim	18,039,500	20.04
Shakarganj Mills Limited	16,245,673	18.05
Crescent Steel And Allied Products Ltd.	9,060,000	10.07

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.

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

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- 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 be 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) 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 Regulation No 35 of listing regulations of the Karachi Stock Exchange for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The company has applied the principles contained in the CCG in the following manner:

1. The company encourages representation of independent non-executive directors and directors representing minority interests on its Board of directors. At present the Board includes:

Category	Names
Independent Directors	Syed Saif Ghausuddin
Executive Directors	Nihal Cassim
Non-Executive Directors	Pervez Akhtar
	Abdul Rauf
	Ali Altaf Saleem
	Asif Ali
	Muhammad Naguib Saigal

The independent directors meet the criteria of independence under clause i (b) of the CCG.

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company (excluding the listed subsidiaries of listed holding companies where applicable).
3. All the resident directors of the company are registered as taxpayers and have confirmed that none of them has defaulted in payment of any loan to a banking company, a DFI or an NBF1 or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. No casual vacancy arose on the Board during this year.
5. The company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures. As the Company has no employees dissemination is to the extent of the Board of Directors and office bearers.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant 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, other executive and non-executive directors, have been taken by the Board/shareholders.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose 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 Board did not arrange any training programs for its directors during the year.
10. The Board has approved the appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment.
11. The directors' report for this year has been prepared in compliance with the requirements of the CCG 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 CEO and CFO before approval of the Board.
13. The directors, CEO and executives do not hold any interest in the shares of the company other than that disclosed in the pattern of shareholding.
14. The company has complied with all the corporate and financial reporting requirements of the CCG.
15. The Board has formed an Audit Committee. It comprises 3 members, of whom 3 are non-executive directors and the chairman of the committee is not an independent director.
16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the company and as required by the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The Board has not formed an HR and Remuneration Committee as the NBFC Rules, 2003 and NBFC Regulations, 2008 do not permit the Company to have employees or pay employee remuneration.
18. The Board has set up an effective internal audit function/ or has outsourced the internal audit function to M/S Riaz Ahmed and Company Chartered Accountants who are considered suitably qualified and experienced for the purpose and are conversant with the policies 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 ICAP, that they or any of the partners of the firm, their spouses and minor children do not hold shares 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 the ICAP.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchange(s).
22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange(s).
23. We confirm that all other material principles enshrined in the CCG have been complied with except for the following, toward which reasonable progress is being made by the company to seek exemption or compliance by the end of next accounting year:
 - An employee has not been designated as Head of Internal Audit as the NBFC Rules, 2003 and NBFC Regulations, 2008 do not permit the Company to have employees or pay employee remuneration.
 - Company Secretary is also CFO, therefore one of the members of the Audit Committee acts as secretary to the Audit Committee.
 - There is no HR and Remuneration Committee as the NBFC Rules, 2003 and NBFC Regulations, 2008 do not permit the Company to have employees or pay employee remuneration



NIHAAL CASSIM
Chief Executive Officer

Karachi, September 25, 2012

DIRECTORS' REPORT

The Board of Directors of Asian Stocks Fund Limited is pleased to present the Annual Report for 2012 together with the audited financial statements for the year ended June 30, 2012.

Role of the Asset Manager

All aspects of the Fund's operations are managed by its Asset Manager, Safeway Fund Limited. The Asset Manager has prepared a detailed Fund Manager's Report which has been reviewed by the Board of Directors and forms an integral part of this Directors' Report.

Financial and Operating Performance

The KSE - 100 Index began the fiscal year 2012 at 12,496 points, and closed at 13,801 points, an increase of 10.45%. The Fund's NAV registered an increase of 27.48% to close at Rs. 8.28 per share as on June 30, 2012. The performance of your Fund is shown below:-

	2012	2011
	(Rupees in thousand)	
Income		
Net capital gain on sale of investments	27,078	42,745
Net unrealized appreciation on investments at fair value through profit and loss	110,386	19,065
Return on Government treasury bills	469	5,393
Mark up on bank account	2,968	7,726
Dividend Income	37,033	26,510
Other income	-	23
	177,934	101,012
Operating expenses	(17,967)	(16,704)
Net income before taxation	159,967	84,308
Taxation	-	-
Net income for the year	159,967	84,308
Earnings per share (Rupees)		
With unrealized appreciation on remeasurement of investments	1.78	0.94
Without unrealized appreciation on remeasurement of investments	0.55	0.73

EPS of the Fund rose from Rs. 0.94 in the prior year to Rs.1.78 in the current year. The EPS excluding the impact of the unrealized appreciation of the investment portfolio at year end was Rs. 0.55 compared to Rs. 0.72 in the previous year. The Fund's share price witnessed a high of Rs. 5.50 on May 07, 2012 and a low of Rs. 2.50 on January 02, 2012.

Modified Opinion

As more fully explained in note 9 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 (CISs) 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 high. Management, based on legal advice and a clarification issued by the Ministry of Labor and Manpower, is of a firm view that the Fund is not an establishment and therefore WWF is not applicable to the Fund. Had the required provision been made, the Fund's net income and comprehensive income would be lower by Rs. 3.20 million.

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Dividend

The Directors have recommended a cash distribution of 6% for the year, amounting to 0.60 per share.

Credit Rankings / Ratings

The Fund's last ranking from JCR - VIS is based on June 30, 2012 performance. In this ranking the Fund has been placed as MFR*4 for one year, MFR*3 for two years weighted average and MFR*4 for three year weighted average performance. The Management Quality rating of the Asset Manager is AM4+.

Corporate Governance

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

- The financial statements, prepared by the management of the Fund, presents its state of affairs fairly, the result of its operations, cash flows and changes in equity.
- Proper books of accounts of the Fund have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Financial Reporting 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 significant doubts upon the Fund's ability to continue as a going concern.
- Significant deviations from last year in operating results have been highlighted and reasons thereof explained in the body of this report
- Key operating financial data and the performance table for the last six years is summarized in this Annual Report. Information about taxes and levies paid has also been disclosed in this Annual Report.
- WWF has not been accrued for or paid by the Fund for reasons more fully described in the body of this report.
- The directors did not attend any training programs during the year.
- The pattern of shareholding and additional information regarding pattern of shareholding is disclosed separately in this Annual Report.
- 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.

The statement of compliance with Code of Corporate Governance is disclosed separately in this Annual Report.

Attendance at Board Meetings

The attendance at the four board meetings held during the year is as follows:

ASFL Board	Status	Attended*	Meeting
Mr. Pervez Akhtar	Chairman	4	4
Mr. Nihal Cassim	CEO	4	4
Mr. Abdul Rauf	Director	3	4
Mr. Asif Ali	Director	4	4
Mr. Ali Altaf Saleem	Director	4	4
Mr. Muhammad Naguib	Director	4	4
Mr. Syed Saif Ghausuddin	Director	1	4

* Being number of meetings Director was eligible to attend. Leave of Absence granted for those who could not attend.

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Attendance at Audit Committee Meetings

The attendance at the four board meetings held during the was as follows:

ASFL Audit Committee	Status	Attended*	Meeting
Mr. Muhammad Naguib	Chairman	4	4
Mr. Abdul Rauf	Member	3	4
Mr. Asif Ali	Member	4	4

* Being number of meetings Member was eligible to attend. Leave of Absence granted for those who could not attend.

The Audit Committee is governed by a Board approved Audit Committee Charter. During the year under review, one resolution was passed by circulation and this resolution was ratified by the Audit Committee at the ensuing Audit Committee meeting.

Compliance with Regulatory Framework

SRO (25)I/2012 Functional Website

Through the above-mentioned notification, the SECP directed all listed companies to maintain a functional website and defined the minimum information to be disclosed. The required information has been made available in the Financials / Documents tab of the Company's website www.safewayfund.com.

Regulation 37(7)(h) of the NBFC Regulations

In June 2012, the broker commission accruing to one of the Fund's brokers exceeded 15% of the total commission of the Fund for the year. In compliance with Regulation 37(7)(h), no transactions were conducted through this broker for the remainder of the financial year. However as at yearend its brokerage exposure still exceeded 15%.

Regulation 55 of the NBFC Regulations

As at June 30, 2012, investments in BAFL and DGKC exceeded 10% of the portfolio due to a combination of (1) favorable price movement in these shares, (2) unfavorable price movement in other portfolio shares, (3) corporate actions - i.e. payment of dividend by the Fund resulting in the reduction of the size of the Fund. The Fund Manager has requested the SECP to extend the regularization period to ensure that shareholders receive the full benefit of the upside in these investments.

Regulation 65 of the NBFC Regulations

Under Regulation 65 of the NBFC Regulations, the Asset Manager of the Fund is required to hold within one month of November 21, 2012 a meeting of the shareholders to seek approval of the shareholders to convert into an Open End Scheme or revoke the Closed end Scheme or windup the Investment Company, subject to the applicable provisions of the Ordinance, the Rules and the Regulations.

Circular 18 of 2012

Through this circular, the SECP has directed all listed companies to approach their shareholders to offer them the option of issuing a dividend mandate as per a standardized letter. This letter is being dispatched to all shareholders with a copy of this Annual Report.

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 shareholders.

Code of Corporate Governance 2012 (CCG 2012)

CCG 2012 was launched in April 2012. Compliance with this has been disclosed in the body of this report and in a Statement of Compliance with the Code of Corporate Governance which is disclosed separately in this Annual Report.

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, 2012. The Board of Directors have recommended the re-appointment of the retiring auditors, who have offered their consent for this purpose.

Acknowledgement

The Board extends its appreciation to the Securities and Exchange Commission of Pakistan, the Karachi, Lahore and Islamabad Stock Exchange, Central Depository Company Limited and the National Clearing Company of Pakistan Limited for their continued guidance and support. We also thank our professional service providers - Safeway Fund Limited, our brokers, Ahmed and Qazi Legal Consultants, BDO Ebrahim & Co. Chartered Accountants, and Riaz Ahmad & Co. Chartered Accountants for their advice and guidance. Finally, the Board thanks the shareholders of the Fund for their trust in us.

For and on behalf of the Board of Directors



NIHAAL CASSIM
Chief Executive Officer

September 25, 2012

FUND MANAGER'S REPORT

This report forms an integral part of the Director's Report for the year ended June 30, 2012

The Role of the Asset Manager

Asian Stocks Fund Limited (ASFL) is a listed closed end equity fund under management of Safeway Fund Limited (the Asset Manager). Safeway Fund is licensed to act as asset manager by the SECP under the NBFC Rules, 2003.

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 high quality companies and by diversifying across companies poised to gain the most from the prevalent 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.

All investments are subject to market risk. This is the risk that the value of financial instrument may fluctuate. Significant fluctuations could result in a considerable reduction in return and would be contrary to the stated aim of the Fund. It includes but is not limited to price risk, liquidity risk, credit risk, foreign exchange risk and market sentiment. Risks 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.

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)	14 years
Tehmeena Khan	Chief Financial Officer and Company Secretary	ACA (ICAEW)	9 years
Mohammed Turab	Financial Accountant	B Com, Articleship	9 years

The Investment Committee meets at least once a month to conduct a detailed review of the investment strategy and portfolio performance. The Fund Manger has been delegated the responsibility for daily monitoring and execution of investment decisions. Typically, investee companies are evaluated to determine target prices and when these target prices are met, the securities are disposed off. Where a change in condition necessitates, target prices are revised. Where the opportunity arises, the Fund Manager also switches portfolio allocation to maximize on companies with cheaper valuations and untapped growth potential. Preference is given to equity instruments as the returns on such equities have historically out performed the return on fixed income instruments. Our 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 (SECP). Exposure limits include group - a limit of 35% for one group of companies, sector - 25% or the index weighting, subject to a cap of 35%, security - 10% or the index weighting, subject to a cap of 15%. Any exceptions are closely monitored by the Investment Committee and reported to the shareholders through the quarterly Fund Manager's Report and Directors' Report.

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Economic Review

Pakistan's economic performance for the year ending June 30, 2012 was below expectations. This can be seen in the economic indicators presented below:

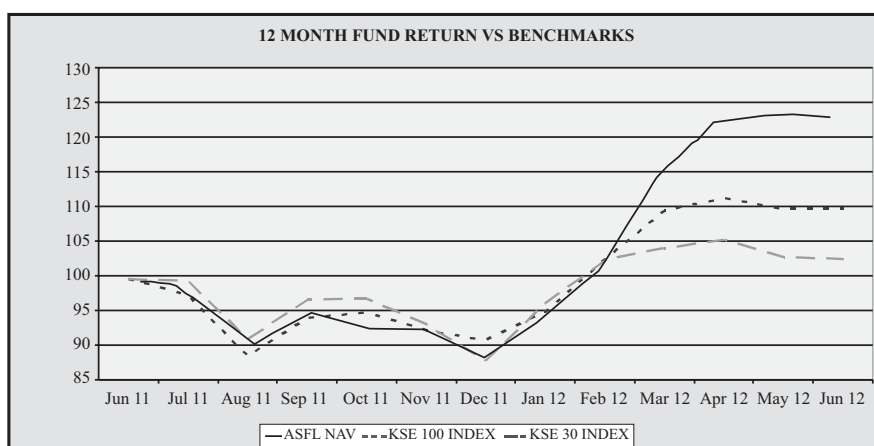
	FY11A	FY12A	FY13F
Real GDP Growth	2.40%	3.70%	4.30%
Agriculture Growth	1.20%	3.10%	4.10%
Manufacturing Growth	3.00%	3.60%	4.30%
Trade Deficit (US\$ bn)	-11.2	-15.4	-20.4
Remittances (US\$ bn)	11.2	13.2	14.1
Tax Revenue (Rs bn)	1,680.0	2,664.4	3,233.9
Dev Expenses (Rs bn)	450.0	805.5	1,027.3
Total Debt (Rs. Bn)	10,379.4	12,392.4	13,365.1
Inflation	13.90%	11.50%	10.00%
Rs / US\$ parity	85.96	94.55	100.00

Source: SBP Monetary Policy Information Compendium August 2012, Ministry of Finance Federal Budget 2012-2013, SFL Research.

In FY2012 GDP growth remained below the 4.2% target due to the continued sluggish performance of the manufacturing and services sectors. Repeated cuts in PSDP, shortage of electricity, circular debt build up, and corruption and harassment on the part of various government departments has led to a slow down in business activity and demand. On the positive side, the government has maintained its resilience in desubsidizing oil and energy prices, and unintentionally facilitated the pass on of increased fertilizer, food and now pharmaceutical prices to consumers. This desubsidization had overburdened inflation for the last four years and we do not believe that it will impact future inflation significantly. However, during the year the rupee devalued by 10% against the USD resulting in higher cost of fuel and energy in future years. We expect inflation to be around 10% in FY13.

Market Review

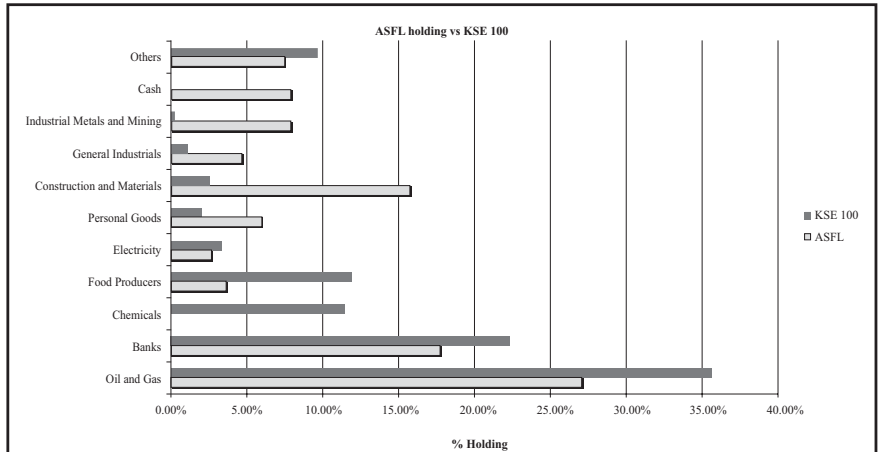
In FY2012 the KSE-100 Index rose by 10.45%, while the KSE-30 Index gained 2.90%. By the grace of God, your Fund's NAV grew by 27.48% to close at Rs. 8.28 per share on June 30, 2012 and is one of the top performers out of the 140 funds in the sector. More details about the performance of the mutual fund sector is available on www.mufap.com.pk.



Fund Review

Portfolio Statistics

The Fund's portfolio as of June 30, 2012 was invested in the following sectors:-



Although the Fund considers the KSE-100 as a reference point for performance benchmarking, the Fund is not an index tracker. Approximately 60% of the Fund's investments are in the Oil and Gas, Banks and Construction and Materials sectors. The KSE-100 is also approximately 60% in these sectors however the Fund is underweight in Oil and Gas and Banking while it is overweight in Construction and Material. The Fund is also overweight in Personal Goods, Industrial Metal and Mining and General Industrials while it is underweight in Chemicals and Food Producers. The Asset Manager is bullish on the overweight sectors and hopes to realize superior returns in the future.

As at June 30, 2012, the Fund's investment in BAFL and DGKC exceeded the regulatory limit of 10% due to market movements and were 14.57% and 15.83% of the portfolio respectively. We are continuously monitoring the fair values and concentration limits to give our investors maximum long term returns and are also expending efforts with the SECP to encourage long term investments and prevent any adverse impact on your investments. We thank our investors for your patience and conviction in this investment strategy.

Results of operations

A gain on sale of shares of Rs. 27.078m was earned during the year against Rs. 42.745m in prior year. Dividend income, return on treasury bills and other income increased by 3.23% to contribute Rs. 40.470m to the income head. The unrealized appreciation on investments increased from Rs. 19.065m in the prior year to Rs. 110.386m in the current year. Current year operating expenses were Rs. 17.967m compared to Rs. 16.704m last year resulting in a net gain of Rs. 159.967 million in the current year versus a prior year gain of Rs. 84.308m. This translates to an increase in EPS from Rs. 0.94 to Rs. 1.78. The Performance Table for the last 6 years is disclosed in this Annual Report.

Distribution

The Board of Directors have recommended a cash distribution of 6% for this year, amounting to Rs. 0.60 per share.

Future Outlook

Economic Outlook

While the FY13 budget is not too aggressive on growth, we believe that it is aggressive on spending due to an election year. Budget targets can only be achieved by increasing the tax base and/or by lowering interest rates, if the government is to achieve desired spending. We believe that with considerable desubsidization over the past four years, inflation will remain near the 10% mark on the back of recent devaluation of the PKR. A lower interest rate environment will mean a spread squeeze for banks which may result in banks once again begin to lend to the private sector, at a time when non-performing loans provisioning ("NPL's") are at a low. If this happens, liquidity directed towards private hands will first find its way into cheap assets and real estate, leading to asset repricing (further NPL reversals likely) and a feeling of economic well-being and confidence. We believe that this confidence may result in increased business activity and demand for consumer non-durables and continued demand for consumer durables. The key risk to our outlook is if the oil price remains above the USD 100-110 mark, then inflation will edge up again and banks will continue to lend to the government.

Market Outlook

The stock market performed well in the second half of FY12, on the back of a policy that made NCCPL the withholding agent for Capital Gains Tax (CGT) and prevented the Federal Board of Revenue (FBR) from harassing filers for 2 years. As expected, liquidity was primarily attracted to the undervalued companies, which is in line with your Fund's strategy. Your Fund has patiently held on to quality undervalued investments and the benefits are now accruing on our investments. Going forward, we are very excited about the market as we foresee low interest rates, strong dividends on the back of healthy margins, demand growth on the back of lending to private sector and confidence on the back of asset repricing. We believe that these factors will lead to continued earnings growth and revision in valuation ranges. The Fund's strategy will be to continue to identify and invest in value companies at attractive prices.

Acknowledgement

The Asset Manager wishes to place on record its appreciation to the Securities and Exchange Commission of Pakistan, the Board of Asian Stocks Fund Limited, the Karachi, Lahore and Islamabad Stock Exchanges, Central Depository Company Limited, the National Clearing Company Limited, our brokers, Ahmed and Qazi Legal Consultants, BDO Ebrahim and Company Chartered Accountants and Riaz Ahmad and Company Chartered Accountants for their continued guidance and support. We also extend our thanks to our team for their hard work and dedication.

For and on behalf of Safeway Fund Limited



NIHAL CASSIM
Chief Executive Officer

September 25, 2012

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FINANCIAL HIGHLIGHTS FOR THE LAST SIX YEARS

	2012	2011	2010	2009	2008	2007
	In Rupees					
Income Statement						
Income / (loss)	177,934,000	101,012,000	101,444,000	(138,533,000)	35,503,000	96,251,000
Expense	17,967,000	16,704,000	20,354,000	77,166,000	25,746,000	22,980,000
Profit / (loss) before taxation	159,967,000	84,308,000	81,090,000	(215,699,000)	9,757,000	73,271,000
Profit / (loss) after taxation	159,967,000	84,308,000	81,090,000	(215,699,000)	9,757,000	73,439,000
Income Statement Components						
Gain / (loss) on sale of shares	27,078,000	42,745,000	116,881,000	(98,452,000)	104,774,000	84,354,000
Gain / (loss) on remeasurement of investments	110,386,000	19,065,000	(42,429,000)	(74,165,000)	(111,511,000)	(12,656,000)
Remuneration of the Asset Manager	14,485,000	13,179,000	13,101,000	10,744,000	17,799,000	14,436,000
Balance Sheet						
Net Assets	745,644,000	645,077,000	634,569,000	491,128,000	795,973,000	919,323,000
Share Capital	900,000,000	900,000,000	900,000,000	900,000,000	900,000,000	900,000,000
Investments	682,761,000	635,911,000	536,162,000	485,037,000	748,744,000	740,876,000
Ratios and Supplementary Data						
Average NAV (in Rupees)	724,250,000	658,950,000	655,050,000	537,200,000	889,950,000	721,800,000
Average Market Capitalization (in Rupees)	370,800,000	372,600,000	314,100,000	479,700,000	473,400,000	483,330,508
Net Assets Value per Share (in Rupees)	8.28	7.17	7.04	5.46	8.84	10.22
Earnings / (loss) per Share (in Rupees)	1.78	0.94	0.90	(2.39)	0.11	0.82
Average Market Price (in Rupees)	4.12	4.14	3.49	5.33	5.26	5.37
Return on Average Capital Employed	23.00%	13.18%	14.41%	-33.52%	1.14%	10.17%
Dividend - Cash Payout	6.00%	6.60%	8.20%	-	1.00%	5.00%
Dividend - Bonus	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Dividend Yield	14.56%	15.94%	23.50%	0.00%	1.90%	9.31%
Income to Expense	9.90	6.05	4.98	(1.80)	1.38	4.19
Average Price to Earning Ratio	2.31	4.40	3.88	(2.23)	47.82	6.55
Average Price to Book Ratio	0.50	0.58	0.50	0.98	0.60	0.53

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PERFORMANCE TABLE

	2012	2011	2010	2009	2008	2007
Beginning net assets (Rs 000)	645,077	634,569	491,128	795,973	919,323	543,268
Beginning NAV (Rs) (Ex Div)	6.51	6.22	5.46	8.74	9.72	6.04
Ending net assets (Rs 000)	745,644	645,077	634,569	491,128	795,973	919,323
Ending NAV (Rs)	8.28	7.17	7.04	5.46	8.84	10.22
Profit / (loss) after tax (Rs '000)	159,967	84,308	81,090	(215,699)	9,757	73,439
Earning per share (Rs.)	1.78	0.94	0.90	(2.40)	0.11	0.82
Cash Distribution (Rs)						
- interim	-	-	-	-	-	-
- final	0.60	0.66	0.82	-	0.1	0.5
Distribution dates - Final	17-Oct-12	15-Oct-11	20-Oct-10	-	28-Oct-08	31-Aug-07
Income Distribution	9.22%	10.61%	15.03%	0.00%	1.03%	8.28%
Capital Growth	18.09%	4.61%	14.00%	-37.56%	-10.08%	60.93%
Total Return	27.31%	15.22%	29.02%	-37.56%	-9.05%	69.21%
Average annualized return of the Fund (CAGR) (%)						
One Year	27.31%	15.22%	29.02%	-37.56%	-9.05%	
Two Year	21.90%	23.19%	-9.72%	-21.41%	27.32%	
Three Year	26.31%	-2.87%	-8.85%	0.09%	0.29%	

Disclaimer

Past performance is not necessarily indicative of future performance Investment returns may go down as well as up.

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 **ASIAN STOCKS 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, 2012.

We draw your attention to clause 23 of the statement which mentions certain instances of non-compliance with the Code.

KARACHI
DATED: September 25, 2012

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 ASIAN STOCKS FUND LIMITED as at June 30, 2012 and the related income statement, statement of comprehensive income, distribution statement, cash flow statement, statement of movement in equity and reserves-'per share' and statement of changes in equity 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:

- 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;
 - 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;
- 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, distribution statement, cash flow statement, statement of movement in equity and reserves-'per share' and statement of changes in equity 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, 2012 and of the profit, comprehensive income, its cash flows and changes in equity for the year then ended; and

 **ASIAN STOCKS FUND LIMITED ANNUAL REPORT 2012**

- d) in our opinion, no Zakat deductible was deductible at source under the Zakat and Usher Ordinance, 1980 (XVIII of 1980).

Without qualifying our opinion, we draw attention to the following matters:

- a) Note 1.2 to the financial statements which indicates that the Company is required to hold a shareholders' meeting to seek approval regarding conversion of the Company to an open end collective investment scheme or wind up the Company. However, these financial statements have been prepared on a going concern basis for the reasons given in the above referred note.
- b) Note 10.1 to the financial statements which refer to an uncertainty relating to the future outcome of litigation regarding contribution to the Workers' Welfare Fund.

KARACHI
September 25, 2012

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

ASIAN STOCKS FUND LIMITED ANNUAL REPORT 2012

**STATEMENT OF ASSETS AND LIABILITIES
AS AT JUNE 30, 2012**

	Note	2012	2011
(Rupees in thousand)			
ASSETS			
NON CURRENT ASSETS			
Long term deposits		2,575	2,575
CURRENT ASSETS			
Bank balances	5	59,586	2,923
Mark up accrued		536	49
Short term investments	6	682,761	635,911
Prepayments and other receivables		70	-
Dividend receivable		2,052	2,546
Receivable against sale of investments		-	2,484
Tax refund due from Government		1,134	1,134
		<u>746,139</u>	<u>645,047</u>
TOTAL ASSETS		748,714	647,622
CURRENT LIABILITIES			
Remuneration payable to Asset Management			
Company (including sales tax)	7	1,445	1,089
Accrued expenses and other liabilities	8	1,004	970
Dividend payable		621	486
		<u>3,070</u>	<u>2,545</u>
NET ASSETS		745,644	645,077
REPRESENTED BY:			
Share capital			
Authorized share capital			
100,000,000 (2011: 100,000,000) ordinary shares of Rs.10 each		<u>1,000,000</u>	<u>1,000,000</u>
Issued, subscribed and paid-up share capital	9	900,000	900,000
Revenue reserve			
Accumulated losses		(154,356)	(254,923)
CONTINGENCIES AND COMMITMENTS	10	-	-
SHAREHOLDERS' EQUITY		<u>745,644</u>	<u>645,077</u>
Rupees			
Net assets value per share		<u>8.28</u>	<u>7.17</u>

The annexed notes from 1 to 24 form an integral part of these financial statements.


Chief Executive


Director

**INCOME STATEMENT
FOR THE YEAR ENDED JUNE 30, 2012**

	Note	2012	2011
(Rupees in thousand)			
INCOME			
Net capital gain on sale of investments		27,078	42,745
Net unrealized appreciation on investments at fair value through profit or loss	6.2	110,386	19,065
Return on Government treasury bills		469	5,393
Markup on bank account		2,968	7,276
Dividend income		37,033	26,510
Other income		-	23
		<u>177,934</u>	<u>101,012</u>
OPERATING EXPENSES			
Remuneration to Safeway Fund Limited - Asset Management Company (including sales tax)	7	(14,485)	(13,179)
Annual fee - Securities and Exchange Commission of Pakistan		(593)	(626)
Settlement and custody charges		(634)	(601)
Professional fees and subscriptions		(413)	(342)
Auditors' remuneration	11	(465)	(465)
Directors' traveling and meeting attendance fee		(140)	(208)
Printing, postage and telegram		(204)	(164)
Advertisement		(38)	(128)
Legal and professional charges		(9)	(64)
Brokerage and Federal Excise Duties		(934)	(874)
Bank charges		(52)	(53)
		<u>(17,967)</u>	<u>(16,704)</u>
Net income before taxation		159,967	84,308
Taxation	12	-	-
Net income for the year		<u>159,967</u>	<u>84,308</u>
Earnings per share		Rupees	
With unrealized appreciation on remeasurement of investments	20	<u>1.78</u>	<u>0.94</u>
Without unrealized appreciation on remeasurement of investments	20	<u>0.55</u>	<u>0.72</u>

The annexed notes from 1 to 24 form an integral part of these financial statements.


Chief Executive


Director

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2012**

	2012	2011
	(Rupees in thousand)	
Net income for the year	159,967	84,308
Other comprehensive income	-	-
Total comprehensive income for the year	<u>159,967</u>	<u>84,308</u>

The annexed notes from 1 to 24 form an integral part of these financial statements.



Chief Executive



Director

**STATEMENT OF MOVEMENT IN EQUITY AND RESERVES -
'PER SHARE'
FOR THE YEAR ENDED JUNE 30, 2012**

	2012	2011
	(Rupees)	
Net assets per share at the beginning of the year	7.17	7.04
Final dividend	(0.66)	(0.82)
Net capital gain on sale of marketable securities	0.30	0.48
Net unrealized appreciation on remeasurement of equity investments at fair value through profit or loss	1.23	0.21
Other net operating income for the year	0.24	0.26
Net income for the year	1.77	0.95
Net assets per share at the end of the year	8.28	7.17

The annexed notes from 1 to 24 form an integral part of these financial statements.


Chief Executive


Director

**CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2012**

	Note	2012	2011
		(Rupees in thousand)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income before taxation		159,967	84,308
Adjustments:			
Net unrealized appreciation on remeasurement of investments at fair value through profit or loss		(110,386)	(19,065)
Dividend income		(37,033)	(26,510)
Return on Government treasury bills and markup on bank account		(3,437)	(12,692)
Remuneration of Asset Management Company		14,485	13,179
Remuneration of custodian		433	411
		24,029	39,631
Decrease / (increase) in current assets			
Short term investments		63,536	(79,693)
Prepayments and other receivables		(70)	-
Receivable against sale of investments		2,484	(2,484)
		65,950	(82,177)
Decrease in current liabilities			
Accrued expenses and other liabilities		-	(2,848)
Cash generated from / (used in) operations		89,979	(45,394)
Dividend received		37,527	25,364
Return on Government treasury bills and markup on bank account		2,950	12,410
Remuneration of Asset Management Company		(14,129)	(13,140)
Remuneration of custodian		(399)	(411)
Dividend paid		(59,265)	(73,606)
Net cash generated from / (used in) operating activities and net increase / (decrease) in cash and cash equivalents		56,663	(94,777)
Cash and cash equivalents at the beginning of the year		2,923	97,700
Cash and cash equivalents at the end of the year	5	59,586	2,923

The annexed notes from 1 to 24 form an integral part of these financial statements.


Chief Executive


Director

**DISTRIBUTION STATEMENT
FOR THE YEAR ENDED JUNE 30, 2012**

	2012	2011
	(Rupees in thousand)	
Accumulated losses brought forward	(254,923)	(265,431)
Final dividend for the year	(59,400)	(73,800)
Net income for the year	159,967	84,308
Accumulated losses carried forward	<u>(154,356)</u>	<u>(254,923)</u>

The annexed notes from 1 to 24 form an integral part of these financial statements.



Chief Executive



Director

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2012**

	Issued, subscribed and paid-up capital	Revenue reserve	Total
		Accumulated losses	
----- (Rupees in thousand) -----			
Balance as at July 01, 2010	900,000	(265,431)	634,569
Dividend for the year ended June 30, 2010	-	(73,800)	(73,800)
Total comprehensive income for the year	-	84,308	84,308
Balance as at June 30, 2011	900,000	(254,923)	645,077
Dividend for the year ended June 30, 2011	-	(59,400)	(59,400)
Total comprehensive income for the year	-	159,967	159,967
Balance as at June 30, 2012	<u>900,000</u>	<u>(154,356)</u>	<u>745,644</u>

The annexed notes from 1 to 24 form an integral part of these financial statements.


Chief Executive


Director

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

1. LEGAL STATUS AND NATURE OF BUSINESS

- 1.1** Asian Stocks Fund Limited (the Company) is a public limited company incorporated in June 1994 under the Companies Ordinance, 1984 and was registered with the Securities and Exchange Commission of Pakistan (SECP) as an Investment Company under the Investment Companies and Asset Managers Rules, 1971 to carry on the business of a closed end investment company. The Company is now registered as a notified entity as per section 46 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008. The Company commenced its business in July 1994 and is listed on Karachi, Lahore and Islamabad Stock Exchanges. The registered office of the Company is situated at 10th Floor, BOP Tower, 10-B, Block E-2, Gulburg III, Lahore.

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 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 3 Star' and 3 year weighted average ranking at 'MFR 4 Star' as at June 30, 2012. Management quality rating of SFL is AM4+.

- 1.2** As per clause 65 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, an investment company shall, upon expiry of 5 years from November 21, 2007, hold within one month of such period, a meeting of shareholders to seek the approval of the shareholders to convert the closed-end scheme into an open end scheme or revoke the closed end scheme or windup the investment company, subject to the applicable provisions of the Ordinance, NBFC Rules and NBFC Regulations. However, the management believes that the decision to be taken in the meeting will not have any material impact on the carrying amounts of assets and liabilities for the reason that such values are not materially different from the expected realisable/settlement amounts of assets and liabilities of the Company. Accordingly, these financial statements have been prepared on a going concern basis.

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), 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/IFRS applicable to these assets and the requirements of the NBFC Rules and the NBFC Regulations.

These financial statements have been prepared following accrual basis of accounting except for cash flow information.

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 Amendments that are effective in current year but not relevant to the Company

The Company has adopted the amendments to the following accounting standards which became effective during the year:

		Effective date (annual periods beginning on or after)
	Conceptual Framework for Financial Reporting	September 2010
IFRS 1	First time Adoption of International Financial Reporting Standards	July 01, 2011
IFRS 7	Financial Instruments: Disclosures	July 01, 2011
IAS 24	Related Party Disclosures	January 01, 2011
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	January 01, 2011

In May 2010, International Accounting Standards Board issued amendments to various accounting standards primarily with a view to removing inconsistencies and clarifying wording. These improvements are listed below:

Issued in May 2010

IFRS 1	First time Adoption of International Financial Reporting Standards	January 01, 2011
IFRS 7	Financial Instruments: Disclosures	January 01, 2011
IAS 1	Presentation of Financial Statements	January 01, 2011
IAS 34	Interim Financial Reporting	January 01, 2011
IFRIC 13	Customer Loyalty Programmes	January 01, 2011

3.2 Amendments not yet effective

The following amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation:

		Effective date (annual periods beginning on or after)
IFRS 1	First-time Adoption of International Financial Reporting Standards - Amendments for government loan with a below-market rate of interest when transitioning to IFRSs and amendments resulting from Annual Improvements 2009-2011 Cycle (repeat application, borrowing costs)	January 01, 2013

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		Effective date (annual periods beginning on or after)
IFRS 7	Financial Instruments Disclosures - Amendments related to the offsetting of assets and liabilities and deferral of mandatory effective date of IFRS 9 and amendments to transition disclosures	January 01, 2013
IFRS 9	Financial Instruments - Reissue to include requirements for the classification and measurement of financial liabilities and incorporate existing derecognition requirements	January 01, 2015
IFRS 9	Financial Instruments - Deferral of mandatory effective date of IFRS 9 and amendments to transition disclosures	January 01, 2015
IAS 1	Presentation of Financial Statements - Amendments to revise the way other comprehensive income is presented	July 01, 2012
IAS 1	Presentation of Financial Statements - Amendments resulting from Annual Improvements 2009-2011 Cycle (comparative information)	January 01, 2013
IAS 12	Income Taxes - Limited scope amendment (recovery of underlying assets)	January 01, 2012
IAS 16	Property, Plant and Equipment - Amendments resulting from Annual Improvements 2009-2011 Cycle (servicing equipment)	January 01, 2013
IAS 19	Employee Benefits - Amended standard resulting from the post-employment benefits and termination benefits projects	January 01, 2013
IAS 32	Financial Instruments: Presentation - Amendments relating to the offsetting of assets and liabilities	January 01, 2014
IAS 32	Financial Instruments: Presentation - Amendments resulting from Annual Improvements 2009-2011 Cycle (tax effect of equity distributions)	January 01, 2013
IAS 34	Interim Financial Reporting - Amendments resulting from Annual Improvements 2009-2011 Cycle (interim reporting of segment assets)	January 01, 2013

Standards or interpretations not yet effective

The following International Financial Reporting Standards or interpretations issued by IASB would be effective from the dates mentioned below against the respective standard or interpretation.

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		Effective date (annual periods beginning on or after)
IFRS 10	Consolidated Financial Statements	January 01, 2013
IFRS 11	Joint Arrangements	January 01, 2013
IFRS 12	Disclosure of Interests in Other Entities	January 01, 2013
IFRS 13	Fair Value Measurement	January 01, 2013
IAS 27	Separate Financial Statements	January 01, 2013
IAS 28	Investments in Associates and Joint Ventures	January 01, 2013
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine	January 01, 2013

The Company expects that the adoption of the above amendments and interpretations of the standards will not affect the Company's financial statements in the period of initial application.

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, held-to-maturity 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 at the end of each reporting period.

a) Financial assets at fair value through profit or loss

Investments designated at fair value through profit or loss upon initial recognition include those group of financial assets which are managed and their performance evaluated on a fair value basis, in accordance with the documented investment strategy.

After initial recognition, above investments are remeasured at fair value determined with reference to the period-end quoted rates. Gains or losses on re-measurement of these investments are recognised in income statement.

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) Held-to-maturity

These are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Company has the positive intention and ability to hold to maturity.

d) 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. In case of financial assets at fair value through profit or loss, 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 equity securities

After initial recognition, investments classified at fair value through profit or loss are re-measured at fair value determined with reference to the period-end quoted rates. Gains or losses on re-measurement of these investments are recognised in income statement.

After initial recognition, investments classified as available-for-sale are re-measured at fair value, determined with reference to the period-end quoted rates. Gains or losses on re-measurement of these investments are recognised in equity through statement of comprehensive income until the investment is sold, collected or otherwise disposed-off, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in income statement.

b) Basis of valuation of held-to-maturity investments

These are measured at amortized cost using the effective interest rate method, less any impairment loss recognized to reflect irrecoverable amounts.

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 realize 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.

4.5 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.

4.6 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.

4.7 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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4.8 Revenue recognition

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

Unrealized 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 from Government securities are recognized at rate of return implicit in the instrument / arrangement on a time proportionate basis.

4.9 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.

		2012	2011
		(Rupees in thousand)	
5. BANK BALANCES			
In saving account	5.1	59,238	2,608
In current account		<u>348</u>	<u>315</u>
		<u>59,586</u>	<u>2,923</u>
5.1	The balance in saving account bear mark up at 10% (2011: 10%) per annum.		
6. SHORT TERM INVESTMENTS			
Held-to-maturity	6.1	-	49,531
At fair value through profit or loss	6.2	<u>682,761</u>	<u>586,380</u>
		<u>682,761</u>	<u>635,911</u>
6.1 Held-to-maturity			
Government treasury bills (3 months)		<u>-</u>	<u>49,531</u>

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

Name of the Investee Company	No of shares				Balance as at June 30, 2012				Percentage in relation to			
	As at July 01, 2011	Purchases during the year	Bonus	Sales during the year	As at June 30, 2012	Cost	Carrying cost	Market Value	Appreciation / (diminution)	Market values as a percentage of net assets	Market values as a percentage of the paid-up capital of the investee company	Market value as a percentage of total market value of investments
Fully paid ordinary shares of Rs. 10 each of listed companies unless stated otherwise												
RELATED PARTIES												
Rupees in thousand												
Food Producers												
Shakanganj Mills Limited	2,108,319	-	-	-	2,108,319	15,968	13,367	27,155	13,788	3.64	3.03	3.98
Shakanganj Mills Limited - Cum. Red. Pref	167,500	-	-	-	167,500	1,761	410	950	540	0.13	0.48	0.14
						17,729	13,777	28,105	14,328	3.77	3.51	4.12
Industrial Metal and Mining												
Crescent Steel & Allied Products Limited	1,090,000	-	-	-	1,090,000	24,810	28,471	25,277	(3,194)	3.39	1.93	3.70
International Steels Limited	1,241,783	-	-	-	1,241,783	17,472	16,901	14,852	(2,049)	1.99	0.29	2.18
						42,282	45,372	40,129	(5,243)	5.38	2.22	5.88
Oil and Gas												
Pakistan Oilfields Limited	200,000	-	-	10,000	190,000	44,740	68,212	69,719	1,507	9.35	0.08	10.21
						44,740	68,212	69,719	1,507	9.35	0.08	10.21
OTHERS												
Financial Services												
Innovative Investment Bank Limited (note 6.2.1)	20,000	-	-	-	20,000	-	-	-	-	-	-	-
Invest Capital Investment Bank Limited	467,532	-	-	467,532	-	-	-	-	-	-	-	-
Escorts Investment Bank Limited	62,150	-	-	62,150	-	-	-	-	-	-	-	-
Personal Goods												
Nishat Mills Limited	695,314	562,633	-	545,314	712,633	37,555	35,010	33,907	(1,103)	4.55	0.20	4.97
The Crescent Textile Mills Limited	1,295,031	-	-	-	1,295,031	35,934	20,164	11,526	(8,638)	1.55	2.63	1.69
						73,489	55,174	45,433	(9,741)	6.10	2.83	6.66

Name of the Investee Company	No of Shares			Balance as at June 30, 2012					Percentage in relation to			
	As at July 01, 2011	Purchases during the year	Bonus	Sales during the year	As at June 30, 2012	Cost	Carrying cost	Market Value	Appreciation / (diminution)	Market value as a percentage of net assets	Market value as a percentage of the paid-up capital of the investee company	Market value as a percentage of total market value of investments
Fully paid ordinary shares of Rs. 10 each of listed companies unless stated otherwise												
Construction and Materials												
D.G Khan Cement Company Limited (note 6.2.2)	2,997,393	-	-	-	2,997,393	83,653	68,910	118,037	49,127	15.83	0.68	17.29
						83,653	68,910	118,037	49,127	15.83	0.68	17.29
Industrial Metal and Mining												
International Industries Limited	300,000	-	-	-	300,000	15,045	14,850	8,475	(6,375)	1.14	0.25	1.24
						15,045	14,850	8,475	(6,375)	1.14	0.25	1.24
Bank												
Askari Bank Limited	1,012,320	-	-	1,012,320	-	-	-	-	-	-	-	-
Bank Al Fajlah Limited (note 6.2.2)	6,352,691	-	-	-	6,352,691	76,110	60,795	108,631	47,836	14.57	0.47	15.91
Habib Bank Limited	-	100,000	-	100,000	-	-	-	-	-	-	-	-
National Bank of Pakistan	-	400,600	-	400,600	-	-	-	-	-	-	-	-
Samba Bank Limited	1,998,008	-	-	-	1,998,008	6,814	3,417	4,595	1,178	0.62	0.14	0.67
Soneri Bank Limited	2,417,370	1,520,000	-	4,429,541	-	-	-	-	-	-	-	-
United Bank Limited (note 6.2.2)	1,031,471	100,000	-	881,471	250,000	15,553	16,568	19,595	3,027	2.63	0.02	2.87
						98,477	80,780	132,821	52,041	17.82	0.63	19.45
Non Life Insurance												
Adamiye Insurance Company Limited	-	-	-	-	-	-	-	-	-	-	-	-
Beema Pakistan Company Limited (note 6.2.3)	200,000	-	-	-	200,000	518	-	-	-	-	0.48	-
						518	-	-	-	-	0.48	-
Industrial Transportation												
Pakistan National Shipping Corporation Limited	44,100	75,000	-	-	119,100	3,808	2,342	1,835	(507)	0.25	0.09	0.27
						3,808	2,342	1,835	(507)	0.25	0.09	0.27
Oil and Gas												
Attock Petroleum Limited	-	4,134	-	4,134	-	-	-	-	-	-	-	-
Pakistan Petroleum Limited	138,000	233,000	13,800	52,678	332,122	58,808	62,649	62,535	(114)	8.39	0.03	9.16
Pakistan State Oil Company Limited	228,091	68,000	-	-	296,091	83,761	77,159	69,830	(7,329)	9.37	0.17	10.23
						142,569	139,808	132,365	(7,443)	17.76	0.20	19.39

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Name of the Investee Company	No of shares				Balance as at June 30, 2012			Percentage in relation to				
	As at July 01, 2011	Purchases during the year	Bonus	Sales during the year	As at June 30, 2012	Cost	Carrying cost	Market Value	Appreciation / (diminution)	Market value as a percentage of the paid-up capital of the investee company	Market value as a percentage of total market value of investments	
Fully paid ordinary shares of Rs. 10 each of listed companies unless stated otherwise												
Automobile and Parts												
Pakistan Suzuki Motors Company Limited	131,864	399,480	-	-	531,344	50,267	32,512	50,866	18,354	6.82	0.65	7.45
Fixed Line Telecommunication												
Pakistan Telecommunication Company Limited	403,191	400,000	-	803,191	-	-	-	-	-	-	-	-
Wateen Telecom Limited	1,000,000	-	-	1,000,000	-	-	-	-	-	-	-	-
Chemicals												
Engro Corporation Limited	-	151,700	-	151,700	-	-	-	-	-	-	-	-
Electricity												
Altern Energy Limited	2,056,821	-	-	-	2,056,821	18,511	18,717	19,704	987	2.64	0.60	2.89
Media												
Southern Networks Limited (note 6.2.3)	50,000	-	-	-	50,000	489	-	-	-	-	0.10	-
General Industries												
Thal Limited (Ordinary shares of Rs. 5 each)	397,200	2,627	79,440	100,000	379,267	23,333	31,921	35,272	3,351	4.73	0.51	5.17
TOTAL - 2012	28,106,149	4,017,174	585,411	10,020,631	22,688,103	614,910	572,375	682,761	110,386			
TOTAL - 2011	24,025,325	7,701,756	2,885,330	6,506,262	28,106,149	638,633	567,313	586,380	19,065			

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

6.2.2 4,463,534 shares of Bank Al Falah Limited and 1,289,857 shares of D.G.Khan Cement Company Limited have been pledged with National Clearing Company of Pakistan Limited (NCCPL) as collateral against trading facility in the stock exchange.

6.2.3 The fair value of investment in securities of Southern Networks Limited (SNL) and Beema Pakistan Company Limited (BEEEM) cannot be ascertained reliably. The trading of the said securities has been suspended on Karachi Stock Exchange. Based on the prudence principle of accounting the investment in the shares of SNL and BEEEM have been recorded at NIL value.

7. REMUNERATION PAYABLE TO ASSET MANAGEMENT COMPANY

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

2012 2011
(Rupees in thousand)

8. ACCRUED EXPENSES AND OTHER LIABILITIES

Fee payable to Securities and Exchange Commission of Pakistan	593	626
Custodian fee and settlement charges payable	80	46
Audit fee payable	300	300
Others	31	-
	<u>1,004</u>	<u>970</u>

9. ISSUED, SUBSCRIBED AND PAID-UP-CAPITAL

**Number of ordinary shares
of Rs.10 each**

90,000,000	<u>90,000,000</u>	Fully paid in cash	900,000	<u>900,000</u>
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The share holding of associated undertakings of the Company are as follows:

(Number of shares)

Safeway Fund Limited	22,499,549	22,499,549
Shakarganj Mills Limited	16,245,673	16,245,673
	<u>38,745,222</u>	<u>38,745,222</u>

9.1 Pattern of share holding as at June 30, 2012:

Category	Number of shareholders	Shares held	Percentage
Individuals	734	39,126,847	39.50
Associated companies / Directors	8	47,808,225	48.26
Banks / DFIs	4	212,229	0.21
NIT and ICP	3	357,192	0.36
Modaraba and Mutual funds	1	100	0.00
Retirement funds	3	1,891,118	1.91
Others	13	9,664,289	9.76
	<u>766</u>	<u>99,060,000</u>	<u>100.00</u>

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Pattern of share holding as at June 30, 2011:

Category	Number of shareholders	Shares held	Percentage
Individuals	744	39,126,847	39.50
Associated companies / Directors	9	47,808,225	48.26
Banks / DFIs	4	212,229	0.21
NIT and ICP	3	357,192	0.36
Modaraba and Mutual funds	1	100	0.00
Retirement funds	3	1,891,118	1.91
Others	13	9,664,289	9.76
	<u>777</u>	<u>99,060,000</u>	<u>100.00</u>

10 CONTINGENCIES AND COMMITMENTS

10.1 Contingencies

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. As a result of this amendment, it appears that WWF Ordinance has become applicable to all whose income exceeds Rs. 0.5 million in a tax year. Some CISs and The Central Depository Company of Pakistan Limited on behalf of funds under its trusteeship have filed a petition before the Honorable High Court of Sindh on the grounds that mutual funds are not establishments and as a result not liable to pay contribution to WWF.

The Ministry of Labour and Manpower (the Ministry) vide its letter dated July 08, 2010 issued advice and clarifications which stated that WWF Ordinance does not have any provisions for the applicability of WWF on those entities whose incomes are exempt from income tax under any provisions of any law, and West Pakistan and West Pakistan Shops and Establishment Ordinance, 1969 is not applicable to any public listed company and any organized financial institutions including mutual funds because they are ruled and governed by separate laws. Further, in a subsequent letter dated July 15, 2010, the Ministry clarified that " Mutual Fund(s) is a product which is being managed / sold by the Asset Management Companies which are liable to contribute towards Workers Welfare Fund under Section 4 of WWF Ordinance. However, the income on mutual fund(s), the product sold, is exempted under the law *ibid*."

Further, the Secretary (Income Tax Policy) Federal Board of Revenue issued a letter dated October 06, 2010 to the Members (Domestic Operation) North and South FBR. In the letter, reference was made to the clarification issued by the Ministry of Labour and Manpower stating that mutual funds are a product and their income are exempted under the law *ibid*.

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

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On December 14, 2010, the Ministry filed its response to the constitutional petition pending in the court. As per the legal counsel who is handling the case, there is contradiction between the above earlier letter, clarification of the Ministry and the response filed by the Ministry in the Court.

This matter continues to be unresolved, however, in a remotely probable event, if the Collective Investment Scheme are considered as industrial establishment, the impact on the NAV per share will be RS. 0.073 as of June 30, 2012.

10.2 Commitment

There were no commitments as of the balance sheet date.

	2012	2011
	(Rupees in thousand)	
11. AUDITORS' REMUNERATION		
Statutory audit	300	300
Half yearly review	165	165
	465	465

12. 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.

13. LIST OF TOP TEN BROKERS BY PERCENTAGE OF COMMISSION PAID

	2012
	(Percentage)
Foundation Securities (Private) Limited	16.47
Cassim Investments (Private) Limited	13.83
Global Securities Pakistan Limited	10.55
Fortune Securities Limited	7.85
Topline Securities (Private) Limited	7.41
AKD Securities (Private) Limited	6.27
Invisor Securities (Private) Limited	6.26
Y.H. Securities (Private) Limited	5.32
KASB Securities Limited	4.98
Axis Global Limited	4.62
	2011
	(Percentage)
Global Securities Pakistan Limited	25.53
Cassim Investments (Private) Limited	25.45
Foundation Securities (Private) Limited	9.00
Fortune Securities Limited	8.96
Invisor Securities (Private) Limited	8.26
Invest and Finance Securities Limited	5.36
First Capital Equities Limited	4.92
Y.H. Securities (Private) Limited	3.33
Topline Securities (Private) Limited	3.17
Aba Ali Habib Securities Limited	2.74

14. 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 emanate from various factors that include, but are not limited to the following:

14.1 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.

14.1.1 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 Pakistani Rupees.

14.1.2 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.

14.1.2.1 Sensitivity analysis for fixed rate instruments

Presently the Company has no investment in debt instruments.

14.1.2.2 Sensitivity analysis for variable rate instruments

Presently the Company has no investment in debt instruments.

14.1.2.3 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, 2012				Total
	More than Upto three months one year	three months and upto one year	More than one year	Not exposed to MROR risk	
	Rupees in thousand				
On-balance sheet financial instruments					
Financial assets					
Bank balances	59,586	-	-	-	59,586
Prepayments and other receivable	-	-	-	70	70
Mark up receivable	-	-	-	536	536
Short term investments	-	-	-	682,761	682,761
Dividend receivable	-	-	-	2,052	2,052
Long term deposits	-	-	-	2,575	2,575
	59,586	-	-	687,994	747,580
Financial liabilities					
Remuneration payable to Asset Management Company (including sales tax)	-	-	-	1,445	1,445
Accrued expenses and other liabilities	-	-	-	1,625	1,625
	-	-	-	3,070	3,070
On-balance sheet gap	59,586	-	3,070	684,924	744,510
Off-balance sheet financial instruments	-	-	-	-	-
Off-balance sheet gap	-	-	-	-	-
Total interest rate sensitivity gap	59,586	-	-	-	-

	Exposed to MROR risk as at June 30, 2011					Total
	More than Upto three months one year	three months and upto one year	More than one year	Not exposed to MROR risk		
	Rupees in thousand					
On-balance sheet financial instruments						
Financial assets						
Bank balances	2,923	-	-	-	-	2,923
Mark up receivable	-	-	-	49	-	49
Short term investments	49,531	-	-	586,380	-	635,911
Dividend receivable	-	-	-	2,546	-	2,546
Long term deposits	-	-	-	2,575	-	2,575
Receivable against sale of investments	-	-	-	2,484	-	2,484
	52,454	-	-	594,034	-	646,488
Financial liabilities						
Remuneration payable to Asset Management Company	-	-	-	1,089	-	1,089
Accrued expenses and other liabilities	-	-	-	1,456	-	1,456
	-	-	2,545	2,545	-	-
On-balance sheet gap	52,454	-	-	591,489	-	643,943
Off-balance sheet financial instruments	-	-	-	-	-	-
Off-balance sheet gap	-	-	-	-	-	-
Total interest rate sensitivity gap	52,454	-	-	-	-	-

14.1.3 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 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 15% whichever is higher, and sector exposure limit to 30% or index weight whichever is higher, subject to maximum of 35%.

If there had been a 1% increase/decrease in KSE 100 index on June 30, 2012, net loss for the year would decrease/increase by Rs. 5.832 million (2011: Rs. 4.826 million) and net assets of the Company would have increased / decreased by the same as a result of gains / losses on equity securities classified at fair value through profit or loss.

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, 2012 is not necessarily indicative of the effect on the Company's net assets of future movements in the level of the KSE 100 Index.

14.2 Credit risk

Credit risk arises from the inability of the counter parties to fulfill 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 exposures 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.

The Company's policy is to enter into financial contracts in accordance with the investment guidelines and the requirements of NBFC rules and regulations.

For banks and financial institutions, only reputed institutions 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.

14.2.1 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.

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The analysis below summarises the credit quality of the Company's investment in Government treasury bills as at June 30, 2012 and June 30, 2011:

	2012	2011
	(Rupees in thousand)	
Government guaranteed / AAA	-	49,531

The maximum exposure to credit risk before any credit enhancement as at June 30, 2012 is the carrying amount of the financial assets. None of these assets are impaired.

14.2.2 Bank balances

The Company keeps its funds with bank having a good credit ratings. Currently the surplus funds are kept with bank having rating of AA for long term and A1+ for the short term.

14.3 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.

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

	As at June 30, 2012			
	Total	Upto three months	More than three months and upto one year	More than one year
	(Rupees in thousand)			
Liabilities				
Remuneration payable to Asset Management Company (including sales tax)	1,445	1,445	-	-
Accrued expenses and other liabilities	1,625	1,625	-	-
	<u>3,070</u>	<u>3,070</u>	<u>-</u>	<u>-</u>

	As at June 30, 2011			
	Total	Upto three months	More than three months and upto one year	More than one year
	(Rupees in thousand)			
Liabilities				
Remuneration payable to Asset Management Company	1,089	1,089	-	-
Accrued expenses and other liabilities	1,456	1,456	-	-
	<u>2,545</u>	<u>2,545</u>	<u>-</u>	<u>-</u>

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15 FINANCIAL INSTRUMENTS BY CATEGORY

	As at June 30, 2012			
	Loans and receivables	Assets at fair value through profit or loss	Held to Maturity	Total
	(Rupees in thousand)			
Assets				
Bank balances	59,586	-	-	59,586
Short term investments	-	682,761	-	682,761
Dividend receivable	2,052	-	-	2,052
Prepayments and other receivables	70	-	-	70
Mark up accrued	536	-	-	536
Long term deposit	2,575	-	-	2,575
	<u>64,819</u>	<u>682,761</u>	<u>-</u>	<u>747,580</u>

	As at June 30, 2012			
	Liabilities at fair value through profit or loss	Other financial liabilities	Total	
	(Rupees in thousand)			
Liabilities				
Remuneration payable to Asset Management Company (including sales tax)	-	1,445	1,445	
Accrued expenses and other liabilities	-	1,625	1,625	
	<u>-</u>	<u>3,070</u>	<u>3,070</u>	

	As at June 30, 2011			
	Loans and receivables	Assets at fair value through profit or loss	Held to Maturity	Total
	(Rupees in thousand)			
Assets				
Cash and bank balances	2,923	-	-	2,923
Short term investments	-	586,380	49,531	635,911
Dividend receivable	2,546	-	-	2,546
Mark up accrued	49	-	-	49
Long term security deposit	2,575	-	-	2,575
Receivable against sale of investments	2,484	-	-	2,484
	<u>10,577</u>	<u>586,380</u>	<u>49,531</u>	<u>646,488</u>

 **ASIAN STOCKS FUND LIMITED ANNUAL REPORT 2012**

	As at June 30, 2011		Total
	Liabilities at fair value through profit or loss	Other financial liabilities	
	(Rupees in thousand)		
Liabilities			
Remuneration payable to Asset Management Company	-	1,089	1,089
Accrued expenses and other liabilities	-	1,456	1,456
	-	2,545	2,545

16. CAPITAL MANAGEMENT

Asian Stocks 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.

17. 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, 2012, all the investments were categorised in Level 1, and the investment in Government treasury bill was categorised in Level 2.

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18. ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS

The Board of Directors of the Company met on September 23, 2011, October 24, 2011, February 22, 2012 and April 25, 2012 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. Pervez Akhter	4	4	-
Mr. Nihal Cassim	4	4	-
Mr. Abdul Rauf	4	3	1
Mr. Asif Ali	4	4	-
Mr. Ali Altaf Saleem	4	4	-
Mr. Muhammad Naguib	4	4	-
Mr. Syed Saif Ghaussuddin	4	1	3

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

19. 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 (SFL)	MBA (McGill University)	13 years
Ms. Tehmeena Khan	Company Secretary (SFL)	ACA (ICAEW)	9 years
Mr. M. Turab Hasny	Financial Accountant (SFL)	B.Com	9 years

Mr. Nihal Cassim is the Fund Manager of the Company. He is also managing Safeway Mutual Fund Limited.

20. EARNINGS PER SHARE 2012 2011 (Rupees in thousand)

20.1 Basic earnings per share

Net income for the year (with unrealized appreciation / (diminution))		<u>159,967</u>	<u>84,308</u>
Net income for the year (without unrealized appreciation / (diminution))		<u>49,581</u>	<u>65,243</u>
Weighted average number of ordinary shares outstanding during the year	Number in thousands	<u>90,000</u>	<u>90,000</u>
Earnings per share (with unrealized appreciation/ (diminution))	Rupees	<u>1.78</u>	<u>0.94</u>
Earnings per share (without unrealized appreciation/ (diminution))	Rupees	<u>0.55</u>	<u>0.72</u>

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20.2 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, 2012 and June 30, 2011 which would have any effect on the earnings per share if the option to convert is exercised.

21. TRANSACTIONS WITH CONNECTED PERSONS

Related parties include Safeway Fund Limited being the Asset Management Company, Central Depository Company of Pakistan Limited being the Custodian, associated companies of the Asset 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.

	2012	2011
	(Rupees in thousand)	
21.1 Transactions during the year		
Remuneration to Asset Management Company		
Safeway Fund Limited (excluding sales tax)	12,487	13,179
Remuneration to Custodian		
Central Depository Company of Pakistan Limited	433	610
Commission and fees paid		
Cassim Investments (Private) Limited	111	192
Fees paid to Directors	135	140
Dividend paid		
Shakarganj Mills Limited	10,722	13,321
Crescent Steel & Allied Products Limited	5,980	7,429
Safeway Fund Limited	14,850	7,775
Dividend income		
Crescent Steel & Allied Products Limited	2,725	3,270
Pakistan Oilfields Limited	8,500	7,545
21.2 Balance outstanding at the year end		
Remuneration payable to Asset Management Company		
Safeway Fund Limited (excluding sales tax)	1,245	1,089
Remuneration payable to Custodian		
Central Depository Company of Pakistan Limited	64	30

22. PROFIT DISTRIBUTION AND APPROPRIATION

Subsequent to the year ended June 30, 2012, the Board of Directors of the Company has declared a final distribution of Rs.0.60 per share, amounting to total income distribution of Rs. 54.00 million (2011: Rs. 0.66 per share, amounting to total distribution of Rs. 59.40 million) in its meeting held on September 25, 2012 .

23. DATE OF AUTHORIZATION FOR ISSUE

These financial statements have been authorized for issue on September 25, 2012 by the Board of Directors of the Company.

24. GENERAL

- 24.1** Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of comparison. However no significant reclassification has been made during the year.
- 24.2** 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.
- 24.3** Figures have been rounded off to the nearest thousand Rupees.


Chief Executive


Director

**STATEMENT OF INCOME AND EXPENDITURE OF THE
ASSET MANAGER IN RELATION TO THE INVESTMENT
COMPANY FOR THE YEAR ENDED JUNE 30, 2012**

	2012	2011
	(Rupees)	
INCOME		
Asset Management Fee	12,486,719	13,179,134
OPERATING EXPENSE		
Administrative Expenses	10,238,565	11,761,308
Profit before taxation	<u>2,247,854</u>	<u>1,417,826</u>

Note: The above relates to the profit and loss account of the Asset Manager in relation to Asian Stocks Fund Limited.

Proxy Form

I/We _____ of _____ (full address) being a member of ASIAN STOCKS 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 18th Annual General Meeting of the Company to be held on October 25, 2012 and at any adjournment thereof.

Signed this _____ of _____ 2012.
(day) (date, month)

Signature of Member: _____

Folio Number: _____

Number of shares held: _____

Witnesses

1. _____
2. _____

Please affix
Revenue Stamp
of Rs. 5/-

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 notarially 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 Identify 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 18, 2012 to October 25, 2012 (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 17, 2012 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.



ASIAN
STOCKS FUND LIMITED

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Registered Office: 10th Floor, BOP Tower, 10-B, Block E-2, Gulberg III, Lahore, Pakistan.
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CORPORATE