

Asian Stocks Fund Limited Annual Report 2001

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COMPANY INFORMATION

BOARD OF DIRECTORS

Mr. Zaigham Mehmood Rizvi
Mr. Farooq Ismail
Muhammad Ali Yacoob
Mr. Bashir Blkasm Omer
Mr. Ramadan A. Haggiagi
Mr. Hassan A. Bilgrami
Ms. Parveen A. Malik

CHIEF EXECUTIVE

Muhammad Ali Yacoob

COMPANY SECRETARY

Mr. Merajuddin

MANAGEMENT COMPANY

Asian Capital Management (Pvt.) Limited

BANKERS

Union Bank Limited
Muslim Commercial Bank Ltd.
National Bank of Pakistan

AUDITOR S

M. Yousuf Adil Saleem & Co.
Chartered Accountants

LEGAL ADVISER S

Mohsin Tayebaly & Co.

TAX ADVISER S

Rahim Iqbal Rafiq & Company
Chartered Accountants

REGISTERED OFFICE

5th Floor, Block "C"
Finance & Trade Centre,

Shara-e-Faisal, Karachi.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 7th Annual General Meeting of Asian Stocks Fund Limited will be held on Thursday, December 27, 2001, at 5 p.m., at Company's registered office at 5th Floor, Block 'C', Finance & Trade Centre, Shahrah-e-Faisal, Karachi to transact the following business:

1. To confirm the minutes of the 6th Annual General Meeting held on December 18, 2000.
2. To receive, consider and adopt the Audited Accounts of the Company together with the Directors' and Auditors' Reports for the year ended June 30, 2001.
3. To appoint Auditors and to fix their remuneration for the year ending June 30, 2002 M/s M. Yousuf Adil Saleem & Co, Chartered Accountants, the present Auditors of the Company, retire and being eligible, offers themselves for re-appointment.
4. To elect seven (7) Directors in accordance with the provision of section 178(1) of Companies Ordinance, 1984 for a term of three (3) years commencing from December 27, 2001 in place of following retiring Directors.

1. Mr. Ramadan A. Haggiagi	2. Mr. Zaigham M. Rizvi	3. Mr. Bashir Blkasm Omer
4. Mr. Mohammad Ali Yacoob	5. Mr. Farooq Ismail	6. Mr. Hassan A. Bilgrami
7. Ms. Perveen A. Malik		
5. To transact any other business with the permission of the Chair.

By Order of the Board

November 10, 2001
Karachi.

Merajuddin
Company Secretary

Election of Directors pursuant to Section 178(3) of Companies Ordinance, 1984

Any person who seeks to contest an election to the office of Director, whether he / she is retiring Director or otherwise, shall file the Company, not later than 14 days before meeting, a notice of his/her intension to offer him/herself for election as director together with his/her consent to act director as required under section 178 (3) of Companies Ordinance, 1984.

Notes:

1. The share transfer books of the Company will be closed from December 20, 2001 to December 27, 2001 (both days inclusive).
2. A member entitled to attend, speak and vote at the meeting may appoint another member as proxy to attend, speak and vote on his / her behalf. A Company or Corporation may by means of resolution of its Directors, appoint a person who is not a member, as proxy.
3. An instrument of proxy and the Power of Attorney or other authority (if any) under which it is signed or a notarially certified copy of such Power of Attorney or other authority, in order to be valid must be deposited at the Registered office of the Company, not less than 48 hours before the time of the meeting.
4. Members are requested to notify the change in their address, if any, to the Company's Share Registrar office at Uni Corporate & Financial Services, Westland Trade Centre, Shaheed-e-Millat Road, Karachi.

DIRECTORS' REPORT

On behalf of the Board of Directors, presented below is the Seventh Annual Report together with audited

accounts for the year ended June 30, 2001.

Operating Review

The economy of Pakistan failed to make any major headway in terms of some important economic and financial indicators due mainly to sluggish business activity throughout the financial year 2000-2001. The main reasons for this failure were the negative factors like below the target performance both in agricultural and industrial sectors, nominal increase in exports, uncertainty on political scene and above all the development of distrust between GOP's attempted move on documentation of country's economy. The impact of these factors was so enormous that the positive developments such as the approval of a standby credit facility of US\$596 million from IMF and resolution of long outstanding dispute between GOP and HUBCO occurred during the same period could not make any worthwhile amends towards the economic uplift of the country.

As a consequence of not too happy scenario on economic front, the investments in country's three stock exchanges also suffered immensely. During the period, the stock markets indices of these bourses failed to make any meaningful upward movement mainly due to prevalent bleak economic conditions. The investors as a result, preferred to stay away in the backdrop of bearish outlook of these exchanges particularly during the second half of the financial year. The second half of the year witnessed a fall in the KSE-Index by 9% as against the 1% during the first half following the huge selling of stocks especially those of the blue chip companies by the foreign funds. The above Index ultimately pegged at 1366.44 on June 30, 2001 from 1,520.74 on June 30, 2000 resulting in overall erosion in Index by 10.15%

Operating Results

The operating performance of your Fund during the first half of the year was only at a little below satisfactory level with the decrease in its NAV to Rs.4.50 per share from Rs.4.76 per share on June 30,2000. The performance however, suffered a little higher than expected during the second half of the year with NAV finally ended at Rs.3.83 per share on June 30, 2001. During the period, the company posted an unexpected after tax loss of Rs.9,348,272.00 mainly due to investments made in some blue-chip companies which at the time of investments were however known for their excellent record both in terms of operating performances and dividend payouts in the past. Unfortunately, these companies met with sudden crisis during the period under review due to some uncontrollable factors and as a result, their stock prices fell drastically causing your Fund to suffer in terms of fall in its NAV. The Board of your Fund has taken the cognizance of this situation with an advice to the management to take certain necessary measures and strive hard to make up the loss through the best use of the available resources in more cautious, judicious and prudent manner to bring about the needed improvement in the Fund's NAV for the ultimate benefit of both the Fund and its Shareholders / Stakeholders.

The operating results of your Fund for the year are summarized as under:

OPERATING RESULTS	Rupees
Investment Income/(Loss)	(3,010,424)
Operating Expenses	(1,129,978)
(Provision)/reversal for diminution in the value of marketable securities	(4,684,778)
Provision for taxation	(523,092)
Net loss for the year	(9,348,272)
Proposed dividend per share	Nil
Total dividend	Nil

Changes in the Board

Ms. Aaliya K. Dossa of NIT and Mr. Noman Ahmed Qureshi of SAPICO resigned and were replaced respectively by Mr. Hassan A. Bilgrami and Parveen A. Malik of these companies. The Directors wish to place on record valuable services rendered to the Fund by outgoing directors and welcome the new Directors.

Acknowledgement

We wish to place on record our appreciation for the auditors, shareholders, Securities & Exchange Commission of Pakistan and officers and staff of the investment advisor of the Fund.

For and on behalf of the Board of Directors

Muhammad Ali Yaqoob
CHIEF EXECUTIVE

Bashir B. Omer
DIRECTOR

Karachi: November 10, 2001

FINANCIAL HIGHLIGHTS

(Rupees in thousands from 1 to 5)

YEAR ENDED	2001	2000	1999	1998	1997	1996	1995
1. CAPITAL GAIN/(LOSS)	(8,578)	8,080	(12,908)	(34,105)	(4,502)	(66)	(3,893)
2. DIVIDEND INCOME	4,682	3,642	5,468	4,728	3,237	1,231	818
3. OTHER INCOME	885	1,087	521	125	660	1,019	3,134
4. OPERATING EXPENSES	1,130	1,283	1,996	2,154	3,230	3,517	2,732
5. PROFIT/(LOSS) AFTER TAXATION	(9,348)	17,423	2,844	(38,561)	(10,669)	(327)	(13,090)
6. EPS	(0.93)	1.74	0.28	(3.86)	(1.07)	(0.03)	(1.311)
7. DIVIDEND %	--	10	--	--	--	--	--
8. KSE 100 INDEX	1366.44	1520.74	1054.67	879.62	1565.73	1703.28	1611.70
9. NET ASSET VALUE (RS.)	3.83	4.76	4.02	3.74	7.59	8.65	8.69
10. APPRECIATION (DEPRECIATION IN NAV) %	(19.54)	43.28	7.49	(50.72)	(12.25)	(0.46)	--

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **ASIAN STOCK FUND LIMITED** as at June 30, 2001 and the related profit and loss account and cash flow statement 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 financial statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984 and Rule 16 of the Investment Companies and Investment Advisers Rules 1971. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the International Standard on Auditing as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the financial 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 account have been kept by the Company as required by the Companies Ordinance, 1984, and Rule 16 of the Investment Companies and Investment Advisers Rules, 1971;

b in our opinion:

(i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984,

and in accordance with the provisions of the Second Schedule to the Investment Companies and Investment Advisers Rules, 1971 and are in agreement with the books of account 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 balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof confirm with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984 and the Investment Companies and Investment Adviser's Rules 1971, 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, 2001 and of the loss, its cash flows and changes in equity for the year then ended; and

(d) in our opinion zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

Karachi: November 10, 2001

M. Yousuf Adil Saleem & Co.
Chartered Accountants

BALANCE SHEET AS AT JUNE 30, 2001

	<i>Note</i>	<i>2001 Rupees</i>	<i>2000 Rupees</i>
ASSETS			
Current Assets			
Marketable securities	3	39,169,445	52,134,966
Account receivables - unsecured and considered good		--	4,490,373
Advance, prepayment and other receivables	4	1,350,235	2,092,849
Bank balances	5	845,021	1,647,482
		-----	-----
		41,364,701	60,365,670
LIABILITIES			
Current Liabilities			
Current maturity of deferred expenditure payable		--	337,561
Due to investment adviser	6	765,399	631,981
Account payable and accrued expenses	7	107,620	257,709
Dividend payable	8	178,444	10,000,000
Provision for taxation		2,043,300	1,520,209
		-----	-----
		3,094,763	12,747,460
NET ASSETS			
		-----	-----
		38,269,938	47,618,210
SHAREHOLDERS' EQUITY			
Authorised, issued, subscribed and paid-up share capital 10,000,000 (2000: 10,000,000)			
ordinary shares of Rs. 10 each fully paid in cash		100,000,000	100,000,000

Accumulated loss		(61,730,062)	(52,381,790)
		-----	-----
		38,269,938	47,618,210
		=====	=====
CONTINGENCIES	9	--	--
		=====	=====

The annexed notes from 1 to 22 form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2001**

	<i>Note</i>	<i>2001 Rupees</i>	<i>2000 Rupees</i>
OPERATING INCOME			
Capital (loss)/gain on marketable securities	10	(8,577,573)	8,080,608
Dividend income - net of zakat		4,681,802	3,642,476
Return on PLS accounts		763,270	1,087,215
Other income		122,077	--
		-----	-----
		(3,010,424)	12,810,299
OPERATING EXPENSES			
Administrative expenses	11	364,579	707,438
Remuneration to Investment Adviser	6.1	765,399	576,182
		-----	-----
		1,129,978	1,283,620
		-----	-----
(Loss)/profit for the year		(4,140,402)	11,526,679
(Provision)/reversal of diminution in value of marketable securities		(4,684,778)	6,034,047
		-----	-----
(Loss)/profit before taxation		(8,825,180)	17,560,726
Provision for taxation			
Current year	12	523,092	541,156
Prior years		--	(403,927)
		-----	-----
		523,092	137,229
		-----	-----
(Loss)/profit after taxation		(9,348,272)	17,423,497
Proposed dividend 2001- Nil (2000-Rs. 1 per share)		--	(10,000,000)
		-----	-----
		(9,348,272)	7,423,497
Accumulated (loss brought forward)		(52,381,790)	(59,805,287)
		-----	-----
Accumulated (loss) carried forward		(61,730,062)	(52,381,790)
		=====	=====
(Loss)/Earning per share	13	(0.93)	1.74
		=====	=====

The annexed notes from 1 to 22 form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

**CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2001**

<i>Note</i>	<i>2001 Rupees</i>	<i>2000 Rupees</i>
A. CASH FLOW FROM OPERATING ACTIVITIES		
(Loss)/profit before taxation	(8,825,180)	17,560,726
Adjustments for:		
Amortization of deferred expenditure	--	337,561
Provision / (reversal) of diminution in value of marketable securities	4,684,778	(6,034,047)
Interest on deferred expenditure	--	52,399
	-----	-----
	4,684,778	(5,644,087)
	-----	-----
Operating (loss)/profit before working capital changes	(4,140,402)	11,916,639
Effect on cash flow due to working capital changes		
(Increase)/decrease in current assets		
Marketable securities	8,280,743	(14,822,490)
Accounts receivables	4,490,373	(4,490,373)
Advance, prepayment and other receivables	840,703	(44,800)
	-----	-----
	13,611,819	(19,357,663)
Increase/(decrease) in current liabilities		
Due to Investment Adviser	765,399	579,582
Account payable and accrued expenses	(150,089)	227,709
	-----	-----
	615,310	807,291
	-----	-----
Cash inflow/(outflow) from operations	10,086,727	(6,633,733)
Paid to investment adviser	(631,981)	(918,664)
Dividend paid	(9,821,556)	--
Taxes paid	(98,090)	(133,722)
	-----	-----
Net cash outflow from operating activities	(464,900)	(7,686,119)
B. CASH FLOW FROM FINANCING ACTIVITIES		
Deferred liability repaid	(337,561)	(810,140)
Net cash outflow from financing activities	(337,561)	(810,140)
	-----	-----
Net decrease in cash and cash equivalents	(802,461)	(8,496,259)
Cash and bank balances at the beginning of the year	1,647,482	10,143,741
	-----	-----
Cash and bank balances at the end of the year	845,021	1,647,482
	=====	=====

CHIEF EXECUTIVE

DIRECTOR

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED JUNE 30, 2001

	<i>Share Capital</i>	<i>Accumulated Loss</i>	<i>Total</i>
	<i>Rupees</i>		
Balance as at June 30, 1999	100,000,000	(59,805,287)	40,194,713
Net profit for the year ended June 30, 2000	--	17,423,497	17,423,497
Proposed dividend (Re. 1 per share)	--	(10,000,000)	(10,000,000)
	-----	-----	-----
Balance as at June 30, 2000	100,000,000	(52,381,790)	47,618,210
Net loss for the year ended June 30, 2001	--	(9,348,272)	(9,348,272)
	-----	-----	-----
Balance as at June 30, 2001	100,000,000	(61,730,062)	38,269,938
	=====	=====	=====

CHIEF EXECUTIVE

DIRECTOR

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001****1. STATUS AND NATURE OF BUSINESS**

1.1 The Company was incorporated on June 13, 1994, as a public company limited by shares under the Companies Ordinance, 1984 and was registered as an investment company under the Investment Companies and Investment Advisers Rules, 1971. The Company is listed on Karachi, Lahore and Islamabad Stock Exchanges.

1.2 It is a closed end mutual fund with an object to invest its assets in securities.

1.3 Asian Capital Management (Private) Limited is the approved Investment Adviser and Muslim Commercial Bank Limited is the approved custodian of the Company.

2. SIGNIFICANT ACCOUNTING POLICIES**2.1 Accounting Convention**

These accounts have been prepared under the historical cost convention.

2.2 Basis of Preparation

These accounts have been prepared in accordance with International Accounting Standards as applicable in Pakistan.

2.3 Deferred expenditure

These are amortized over a period of five years from the year of deferment.

2.4 Taxation**Current**

The charge for current taxation is based on taxable income at the current rates of taxation

Deferred

The Company accounts for deferred taxation arising on major timing differences, if any, by using the liability method.

2.5 Marketable securities

These are valued at lower of moving average cost and market value on an aggregate portfolio basis. The provision for diminution in value of shares required against marketable securities is charged to income currently. Market values are taken from Karachi Stock Exchange quotations as on the last working day of the year.

2.6 Revenue recognition

2.6.1 Sale and purchase of securities are recorded on the date of the execution of contract. Capital gains and losses on the sale of securities are accounted for in the year in which they arise.

2.6.2 Dividend income is recognized at the time of closure of 'share transfer books' of the company declaring dividend and is recorded net of Zakat deducted.

2.6.3 Return on bank deposits is recognized on accrual basis.

3. MARKETABLE SECURITIES

3.1 The following is a statement, of marketable securities. The securities are in fully paid ordinary shares / certificates of Rs. 10/= each except where stated otherwise:

Name of Companies	No. of Shares				Balance at June 30, 2001				% in Relation to			
	Opening Balance July 01, 00	Purchases	Bonus	Sales	No. of shares/certificates	Cost	Market values	Paid up Capital (Million)	Own net assets	Inv. Cos. paid up Capital	No. of shares/certificates	Cost of Investment
Rupees												
LEASING												
Asian Leasing	--	72,000	--	72,000	--	--	--	--	--	--	--	--
INVESTMENT COMPANIES/BANKS												
Askari Commercial Bank Ltd	--	889,500	--	764,500	125,000	1,688,625	1,612,500	1,035,537	4,360	0.163	0.121	3.535
Muslim Commercial Bank Ltd.	--	1,442,500	--	1,417,500	25,000	605,969	608,750	2,423,142	1,570	0.025	0.010	1.268
Bank of Punjab	--	150,000	--	150,000	--	--	--	--	--	--	--	--
P.I.C.I.C.	--	640,000	4,500	575,000	69,500	963,894	879,175	736,776	2,490	0.131	0.094	2.018
Crescent Bank	200,000	1,384,500	--	1,180,000	404,500	7,467,246	4,752,875	500,257	19,290	1.493	0.809	15.630
Al-Meezan Inv. Bank	--	335,270	--	335,270	--	--	--	--	--	--	--	--
Metropolitan Bank Ltd.	--	103,000	--	103,000	--	--	--	--	--	--	--	--
INSURANCE												
Adamjee Insurance Company Ltd.	10,500	966,000	--	971,500	5,000	292,032	279,500	543,203	0.750	0.054	0.009	0.611
EFU General Insurance	--	365,000	--	36,500	--	--	--	--	--	--	--	--
TEXTILE SPINNING												
Nishat Mills	--	190,000	--	90,000	100,000	2,000,300	1,730,000	1,113,444	5.170	0.180	0.090	4.187
SYNTHETIC & RAYON												
Dewan Salman Fibres Ltd.	25,000	478,000	--	478,000	25,000	469,200	447,500	3,029,012	1.210	0.015	0.008	0.982
Ibrahim Fibre Ltd.	--	26,000	--	26,000	--	--	--	--	--	--	--	--
Dhan Fibre	350,000	225,000	--	575,000	--	--	--	--	--	--	--	--
SUGAR & ALLIED												
Faran Sugar	--	100,000	--	100,000	--	--	--	--	--	--	--	--
Shakarganj Sugar	--	20,000	--	20,000	--	--	--	--	--	--	--	--
CEMENT												

D.G. Khan Cement Ltd.	--	125,000	--	125,000	--	--	--	--	--	--	--	--
Lucky Cement Ltd.	50,000	3,689,000	--	3,739,000	--	--	--	--	--	--	--	--
Fauji Cement	--	390,000	--	390,000	--	--	--	--	--	--	--	--
TEXTILE SPINNING												
Gadoon Textile	--	93,500	--	48,500	48,500	1,312,527	1,237,500	234,375	3.390	0.560	0.192	2.747
Din Textile	--	22,500	--	7,500	15,000	578,675	426,000	134,796	1.500	0.429	0.111	1.211
Elcott Spinning Mills	--	--	125	125	--	--	--	--	--	--	--	--
FUEL AND ENERGY												
Genertech (Pakistan)	--	102,000	--	102,000	--	--	--	--	--	--	--	--
Hub Power Company Ltd.	550,000	8,875,000	--	9,325,000	100,000	1,949,583	1,915,000	11,571,544	5.040	0.017	0.009	4.081
KESC	--	897,000	--	847,000	50,000	345,000	257,500	4,827,593	0.890	0.007	0.010	0.722
Pak-Refinery	--	30,000	--	30,000	--	--	--	--	--	--	--	--
Kohinoor Energy	--	70,000	--	70,000	--	--	--	--	--	--	--	--
National Refinery Ltd.	5,000	--	--	5,000	--	--	--	--	--	--	--	--
Pakistan State Oil Ltd.	50,000	1,985,800	--	2,013,800	22,000	2,807,200	2,915,000	1,429,330	7.250	0.196	0.015	5.876
Sui Northern Gas Pipeline Ltd.	50,000	1,282,000	11,250	1,317,000	26,250	268,935	262,500	4,991,866	0.690	0.005	0.005	0.563
Sui Southern Gas Pipeline Ltd.	300,000	135,000	--	385,000	50,000	549,500	515,000	6,711,744	1.420	0.008	0.007	1.150
Southern Electric	--	135,000	--	125,000	10,000	71,500	69,000	931,880	0.180	--	0.011	0.150
Japan Power	--	50,000	--	50,000	--	--	--	--	--	--	--	--
Shell Pakistan	2,600	99,000	--	101,600	--	--	--	--	--	--	--	--
Sitara Energy	244,000	83,500	--	15,500	312,000	9,245,856	6,146,400	190,920	23.890	4.843	1.634	19.353
AUTO AND ALLIED ENGINEERING												
General Tyres	--	20,000	--	--	20,000	1,234,425	958,000	170,775	3.190	0.723	0.117	2.584
Dewan Farooq Motors	--	10,000	--	10,000	--	--	--	--	--	--	--	--
TRANSPORT & COMMUNICATION												
P.T.C.L.	--	3,825,000	--	3,800,000	25,000	441,750	448,750	37,740,000	1.140	0.001	0.001	0.925
Telecard Ltd.	140,700	881,800	--	946,500	76,000	1,141,628	942,400	250,000	2.950	0.457	0.304	2.390
P.I.A. (A)	125,000	75,000	--	75,000	125,000	1,119,375	531,250	3,727,118	2.890	0.030	0.034	2.343
World Call Phone Ltd.	10,000	416,000	--	426,000	--	--	--	--	--	--	--	--
AUTO & ALLIED												
Indus Motors Company Ltd.	--	124,000	--	124,000	--	--	--	--	--	--	--	--
CHEMICAL & PHARMACEUTICAL												
Engro Chemical	25,000	613,000	--	583,000	55,000	3,235,748	3,137,750	1,390,364	8.360	0.233	0.040	6.773
Fauji Fertilizers Ltd.	150,000	1,854,900	--	1,979,900	25,000	923,445	890,000	2,564,959	2.390	0.036	0.010	1.933
F.F.C. Jordan Ltd.	--	550,000	--	375,000	175,000	1,080,437	988,750	3,341,100	2.790	0.032	0.052	2.261
ICI Pakistan Ltd.	200,000	3,838,000	--	3,838,000	200,000	1,923,366	1,820,000	12,618,390	4.970	0.015	0.016	4.026
Rekit & Colman Ltd.	--	30,000	--	30,000	--	--	--	--	--	--	--	--
Sitara Chemical Industries Ltd.	--	145,000	--	145,000	--	--	--	--	--	--	--	--
Biafo Industries	--	25,000	--	25,000	--	--	--	--	--	--	--	--
CABLES & ELECTRICAL GOODS												
Pak Electron Ltd.	--	9,500	--	9,500	--	--	--	--	--	--	--	--
Philips Electric	--	51,400	--	51,400	--	--	--	--	--	--	--	--
PAPER & BOARD												
Packages	--	17,700	1,085	157,000	22,785	1,412,517	1,298,745	475,372	3.650	0.297	0.048	2.957
FOOD & ALLIED												
Lever bros. (Note 3.2)	300	7,800	--	2,560	5,540	4,646,560	4,099,600	664,694	12.000	0.699	0.042	9.726
MISCELLANEOUS												
Tri Pak Film Ltd.	--	96,000	--	96,000	--	--	--	--	--	--	--	--
					-----	-----	-----					
					2,113,575	47,775,293	39,169,445					

(Provision) Reversal/for diminution
in value of marketable securities

Opening balance	(3,921,071)	
During the year	(4,684,778)	

	(8,605,849)	

2001 Rupees	39,169,445	
	=====	
2000 Rupees	56,056,037	52,134,966
	=====	=====

3.2 The nominal value of these shares is Rs. 50 each.

3.3 Net assets are as defined in Rule 2(e) of the Investment Companies and Investment Advisers Rules, 1971.

3.4 The percentage in relation to own net assets (of the company) has been calculated in relation to the cost of the respective investments.

3.5 The percentage in relation to the investee company's paid up capital has been calculated in relation to the number of shares held in the investee company.

	<i>2001</i> <i>Rupees</i>	<i>2000</i> <i>Rupees</i>
4. ADVANCE, PREPAYMENT AND OTHER RECEIVABLES		
Advance tax	1,019,689	921,599
Prepayment	17,500	--
Dividend receivable	286,100	1,171,250
Return on PLS account	26,946	--
	-----	-----
	1,350,235	2,092,849
	=====	=====
5. BANK BALANCES		
PLS accounts	641,936	1,634,535
Current account	203,085	12,947
	-----	-----
	845,021	1,647,482
	=====	=====
6. DUE TO INVESTMENT ADVISER- -AN ASSOCIATED UNDERTAKING		
Two percent of net assets (6.1)	765,399	576,182
Interest on deferred expenditure	--	52,399
Filing fee	--	3,400
	-----	-----
	765,399	631,981
	=====	=====

6.1 The investment Adviser was entitled to a remuneration at the rate of 2% during the first five years of the company's existence and thereafter 1% of net assets of the company as at the end of the investment company's year of accounts in terms of Rule 11(a) of the Investment Companies and Investment Adviser Rules, 1971. However, the Securities and Exchange Commission of Pakistan through SRO 46(I)/2001 dated January 25, 2001 has revised these rates to 3%. during the first five years of the company's existence and thereafter 2% of net assets of the company as at the end of the investment company's year of accounts. In addition the Investment Adviser will also be entitled to remuneration of an amount not exceeding one half of the amount by which the dividend distributed by the company exceeds 20% in terms of Rule 11(b) of the Investment companies and Investment Advisers Rules, 1971. The remuneration of the Investment

Adviser has been determined as follows:

ASSETS

Marketable securities	39,169,445	52,134,966
Account receivables	--	4,490,373
Advance, Prepayment and other receivables	1,350,235	2,092,849
Bank balances	45,021	1,647,482
	-----	-----
	41,364,701	60,365,670

LIABILITIES

Current maturity of deferred expenditure payable	765,399	631,981
Due to Investment Adviser	107,620	257,709
Account payable and accrued expenses	178,444	--
Dividend payable	2,043,300	1,520,209
Provision for taxation	-----	-----
	3,094,763	2,747,460
	-----	-----
Net assets	38,269,938	57,618,210
	=====	=====
Remuneration for the year at 2 percent (2000: at 1 percent) of net assets	765,399	576,182
	=====	=====

7. ACCOUNT PAYABLE AND ACCRUED EXPENSES

Account payable	--	164,283
Auditors remuneration	50,000	50,000
Custodian charges	50,120	42,497
Listing fee	7,500	--
Withholding tax	--	929
	-----	-----
	107,620	257,709
	=====	=====

8. DIVIDEND PAYABLE

Unclaimed dividend	178,444	--
Proposed dividend	--	10,000,000
	-----	-----
	178,444	10,000,000
	=====	=====

9. CONTINGENCIES

The Company has filed an appeal against the order for the assessment year 1995-96 disputing the basis of allocation of expenses and calculation of income. No provision of Rs.635,719 (2000 - Rs.635,719) has been made in these financial statements as the management is confident of a favourable decision in appeal.

10. CAPITAL (LOSS)/GAIN ON MARKETABLE SECURITIES

Sales	1,075,631,705	1,730,434,455
Less: Cost of sales (10.1)	1,084,209,278	1,722,353,847
	-----	-----
	(8,577,573)	8,080,608
	=====	=====

10.1 Cost of sales

Opening stock	56,056,036	41,233,547
Purchases	1,075,926,286	1,737,174,551
Stamps and duties	2,250	1,785
	-----	-----
	1,131,984,572	1,778,409,883

Less: Closing stock	47,775,294	56,056,036
	-----	-----
	1,084,209,278	1,722,353,847
	=====	=====

11. ADMINISTRATIVE EXPENSES

Custodian charges	172,105	166,623
Legal and professional charges	53,500	--
Amortization of deferred expenditure	--	337,561
Interest on deferred expenditure	--	52,399
Auditors remuneration (11.1)	55,000	53,000
Listing fee	75,000	92,500
Financial charges	3,774	1,955
Others	5,200	3,400
	-----	-----
	364,579	707,438
	=====	=====

11.1 Auditors remuneration

Audit fee	50,000	50,000
Out-of-pocket expenses	5,000	3,000
	-----	-----
	55,000	53,000
	=====	=====

12. TAXATION

The income tax assessments of the Company have been finalized upto and including assessment year 1999-2000, accounting year ended on June 30, 1999. However, the Company has filed appeals against the order for assessment year 1995-96 and 1998-99 and 1999-2000 disputing the basis of allocation of expenses and calculation of income.

13. EARNING PER SHARE

(Loss)/profit after taxation	(9,348,272)	17,423,497
Average number of ordinary shares outstanding during the year	10,000,000	10,000,000
Earning per share	(0.93)	1.74

14. TRANSACTIONS WITH ASSOCIATED UNDERTAKING

Investment Adviser		
Remuneration	765,399	576,182
Deferred expenditure reimbursed	--	810,140
Interest on deferred expenditure	--	52,399
Filing fee	--	3,400

15. FINANCIAL INSTRUMENTS AND RELATE DISCLOSURES**15.1 Markup / interest rate risk exposure**

The Company's exposure to interest rate risk and the effective rates on its financial assets and liabilities are summarized as follows:-

	<i>Markup / interest bearing</i>					<i>Total</i>
	<i>Less than one month</i>	<i>One month to three months</i>	<i>Three months to one year</i>	<i>More than one year</i>	<i>Non Markup/interest bearing</i>	
	<i>Rupees</i>					
Financial assets						
Marketable securities	--	--	--	--	39,169,445	39,169,445
Account receivables	--	--	--	--	--	--

Advance, prepayment and other receivables	--	--	--	--	1,350,235	1,350,235
Bank balances	641,936	--	--	--	203,085	845,021
	-----	-----	-----	-----	-----	-----
	641,936	--	--	--	40,722,765	41,364,701
	=====	=====	=====	=====	=====	=====

Average marks-up rates of financial assets	9%	--	--	--	--	--
---	----	----	----	----	----	----

Financial liabilities

Due to investment adviser	--	--	--	--	765,399	765,399
Account payable and accrued expenses	--	--	--	--	107,620	107,620
Dividend payable	--	--	--	--	178,444	178,444
Provision for taxation	--	--	--	--	2,043,300	2,043,300
	-----	-----	-----	-----	-----	-----
	--	--	--	--	3,094,763	3,094,763

Average mark-up rates of financial liabilities	--	--	--	--	--	--
---	----	----	----	----	----	----

On balance sheet gap	641,936	--	--	--	37,628,002	38,269,938
	=====	=====	=====	=====	=====	=====

16. CREDIT RISK AND CONCENTRATION OF CREDIT RISK

Credit risk represents the accounting loss relating to financial assets that would be recognised at the reporting date if counter parties failed completely to perform as contracted. However, the company does not believe that it is exposed to major concentration of credit risk. The Company manages its exposure to credit risk through diversifying its investments in marketable securities (note3)

17. FOREIGN EXCHANGE RISK MANAGEMENT

The Company did not enter into any transaction involving foreign exchange during the year ended June 30, 2001.

18. FAIR VALUE OF THE FINANCIAL INSTRUMENTS

The carrying value of all the financial instruments reflected in the financial statements approximates their fair values.

19. STATEMENT OF MOVEMENT IN EQUITY AND RESERVE

	<i>2001</i> <i>Rupees</i>	<i>2000</i> <i>Rupees</i>
Net assets per share as at 1st July	4.76	4.02
(Loss)/profit for the year	(0.93)	1.74
Distribution	--	(1.00)
	-----	-----
Net assets per share as at June 30	3.83	4.76
	=====	=====

20. DISTRIBUTION STATEMENT

Accumulated loss brought forward	(52,381,790)	(59,805,287)
Net (loss)/profit for the year	(9,348,272)	17 423,497
Proposed final cash dividend Nil (2000: @ 10%)	--	(10,000,000)
	-----	-----
Accumulated loss carried forward	(61,730,062)	(52,381,790)
	=====	=====

21. PERFORMANCE TABLE

	<i>2001</i>	<i>2000</i>	<i>1999</i>	<i>1998</i>	<i>1997</i>	<i>1996</i>
			<i>Rupees</i>			
Net assets based on market value of investments	38,269,938	57,618,210	40,194,713	37,350,586	75,911,886	88,348,072
Net assets value per share	3.83	4.76	4.02	3.74	7.59	8.83
Earning per share	(0.93)	1.74	0.28	(3.86)	(1.07)	(0.03)
Dividend Distribution	NIL	10%	NIL	NIL	NIL	NIL

22. GENERAL

(i) Figures have been rounded off to the nearest rupee.

(ii) Corresponding figures have been re-arranged and regrouped wherever necessary for the purpose of comparison.

(iii) There is no one in the employment of the Company.

CHIEF EXECUTIVE**DIRECTOR**

**STATEMENT OF INCOME & EXPENDITURE IN
RELATION TO THE INVESTMENT COMPANY
FOR THE YEAR ENDED JUNE 30, 2001**

	<i>2001</i>	<i>2000</i>
	<i>Rupees</i>	<i>Rupees</i>
INCOME		
Dividend	1,000,000	1,000,000
Remuneration from Asian Stocks Fund Limited	765,399	576,182
Interest on Deferred Expenditure	--	52,399
Return on PLS Deposit	96,278	25,190
Return on COIs	55,233	222,739
	-----	-----
	1,916,910	876,510
 OPERATING EXPENSES		
Salaries and Other Benefits	1,411,158	1,424,220
Rent, Electricity & Telephone	354,392	361,092
Legal & Professional Charges	162,000	167,200
Printing & Advertisement	94,399	114,919
Credit Rating Fee	41,250	110,000
Insurance Expenses	72,777	84,841
Depreciation Expense	269,271	123,208
Miscellaneous Expenses	193,710	183,784
	-----	-----
	2,598,957	2,569,264
	-----	-----
	(682,047)	(1,692,754)
	=====	=====

**PATTERN OF SHAREHOLDING
FORM "34"
SHAREHOLDERS STATISTICS
As at June 30, 2001**

<i>NUMBER OF SHARE HOLDERS</i>	<i>FROM</i>	<i>SHARE HOLDING</i>	<i>TO</i>	<i>TOTAL SHARES HELD</i>
76	1	--	100	7,600
1119	101	--	500	557,100
73	501	--	1000	72,200
57	1001	--	5000	165,600
7	5001	--	10000	52,500
4	15001	--	20000	77,000
1	20001	--	25000	25,000
2	45001	--	50000	100,000
1	60001	--	65000	63,500
1	65001	--	70000	67,500
2	115001	--	120000	234,500
1	170001	--	175000	172,500
1	245001	--	250000	250,000
1	370001	--	375000	372,500
1	695001	--	700000	700,000
1	995001	--	1000000	1,000,000
1	1925001	--	1930000	1,927,500
1	4150001	--	4155000	4,155,000
-----				-----
1350				10,000,000
=====				=====

<i>CATEGORIES OF SHAREHOLDERS</i>	<i>NUMBER OF SHARE HOLDERS</i>	<i>TOTAL SHARES HELD</i>	<i>PERCENTAGE</i>
INDIVIDUALS	1337	1,715,300	17.15
INVESTMENT COMPANIES	8	6,333,600	63.34
JOINT STOCK COMPANIES	2	1,000,500	10.00
FINANCIAL INSTITUTIONS	2	950,000	9.50
MODARABA COMPANY	1	600	0.01
	-----	-----	-----
	1350	10,000,000	100.00
	=====	=====	=====