

Annual Report 2008




**ASIAN**  
STOCKS FUND LIMITED

Managed by Asian Capital Management Limited



# Our **Vision**

A photograph of a sunset over a body of water, with the sun low on the horizon and its reflection visible. The image is framed by a thin white border and is centered on a light beige background.

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.

# Our **Mission**



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.

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# Board of **Directors**

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Mr. Pervez Akhtar  
*Chairman*



Mr. Asif Haider Mirza  
*Chief Executive Officer*



Mr. Muhammad Naguib Saigal



Mr. Abdul Rauf



Mr. Asif Ali



Ms. Tehmeena Anis Khan  
*Executive Director*



Mr. Latif Khawar  
*Executive Director*



# Board Sub Committees

## The Audit Committee

The terms of reference for the Audit Committee is defined in Audit Committee Charter which has been approved by the Board of Directors and has been adopted from the Code of Corporate Governance:

Mr. Muhammad Naguib Saigal	Chairman	Non-Executive Director
Mr. Asif Ali	Member	Non-Executive Director
Mr. Abdul Rauf	Member	Non-Executive Director

## The Investment Committee

The Investment Committee's mandate is to review the market conditions and the asset allocation of the Fund to identify opportunities and decisions which need to be made to safeguard and strengthen the portfolio:

Mr. Latif Khawar	Chairman
Mr. Asif Haider Mirza	Member
Mr. Asif Iqbal	Member

## The 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 statements.
- Monitor the progress on system development and technological initiatives.
- Review the HR policies of the Company to ensure that it is in line with market practice and to review staff performance.

Mr. Asif Haider Mirza	Chairman
Mr. Latif Khawar	Member
Mr. Muhammad Naeem Baig	Member

# 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. The ordinary shares of the Company are listed with all the stock exchanges of Pakistan, namely Karachi, Lahore & Islamabad Stock Exchange.

□ □ □ □

## Registered Office

6th Floor, Standard Tower, 10-B, Block E-2,  
Gulberg III, Lahore. □ □ □

## Website

www.safewayfund.com

## Company Registration No.

K - 05404

□ □ □ □

## National Tax Number (NTN)

0709734-4

□ □ □ □

## Investment Advisor

Asian Capital Management Limited

□ □ □ □

## Custodian

Central Depository Company of Pakistan Limited

## Internal Auditors

Anjum Asim Shahid Rahman

Chartered Accountants □ □ □

## Statutory Auditors

A.F. Ferguson & Co. Chartered Accountants

## Chief Financial Officer

Mr. Latif Khawar

Email: latif.khawar@safewayfund.com □ □ □

□ □ □ □

## Company Secretary □ □ □ □

Ms. Tehmeena Anis Khan

Email: tehmeena.khan@safewayfund.com □ □ □

□ □ □ □

## Share Registrar □ □ □ □

Corporate Business Management (Pvt.) Limited

6th Floor, Standard Tower, 10-B, Block E-2,

Gulberg III, Lahore. □ □ □ □

□ □ □ □

## Bankers □ □ □ □

Bank Alfalah Limited □ □ □ □

Standard Chartered Bank (Pakistan) Limited

Sonari Bank Limited □ □ □ □ □

## Legal Advisors □ □ □ □

Ahmed & Qazi Advocates and Legal Consultants □

□ □ □ □

## Credit Rating Agency □ □ □

JCR - VIS Credit Rating Company □

## Contact Us □ □ □ □

Karachi Office □ □

9th Floor, Lakson Square Building Number 1, □

Maulana Deen Mohammad Wafai Road,

Karachi-74200, Pakistan.

Ph: 021-5620971-72, 5693945-49

Fax: 92-21-5620978

Email: info@safewayfund.com

# Shareholders' Information

- **Notice to Shareholders**  
of the 14th Annual General Meeting
- **Shareholders' Diary  
and Record**
- **Pattern of Shareholding**
- **Categories of  
Shareholders**



## Notice to Shareholders of the 14th Annual General Meeting

Notice is hereby given that the 14th 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 6th Floor, Standard Tower, 10-B, Block E-2, Gulberg III, Lahore will be held at 14:30 hours on October 28, 2008 at 6th Floor, Standard 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, 2008.
2.  To consider and approve a final cash dividend of 1% equal to Rs. 0.10 per share for the year ended June 30, 2008 as recommend by the Board of Directors.
3.  To appoint auditors for the ensuing year and fix their remuneration.

### SPECIAL BUSINESS

4.  To consider and if deemed appropriate, approve the transfer of the Investment Advisory Agreement with Asian Capital Management Limited to Safeway Fund Limited on completion of the merger of Asian Capital Management Limited with and into Safeway Fund Limited.

The approval of the shareholders is sought for the above transfer and the draft resolutions to be considered and resolved (with or without modifications) are given below:

#### Resolved that

That the transfer of Asian Stocks Fund Limited's Investment Advisory Contract with Asian Capital Management Limited dated August 17, 2004 entered for a period of 10 years commencing from August 17, 2004 to Safeway Fund Limited, on completion of the merger of Asian Capital Management Limited with and into Safeway Fund Limited be and is hereby approved subject to all regulatory approvals.

#### Resolved further that

The Chief Executive and Company Secretary be and are hereby singly / jointly authorized to:

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

A statement under Section 160 (1) (b) of the Companies Ordinance, 1984 as required by Section 164 (1) of the Companies Ordinance, 1984 is enclosed.

5.  To discuss any other business with the permission of the Chair.

████████

By Order of the Board

Registered Office  
6th Floor, Standard Tower,  
10-B, Block E-2, Gulberg III,  
Lahore.  
September 1, 2008

  
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 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 Computerized National Identify Cards of the grantors and the signatures on the proxy form should be the same as that appearing on the National Identity Cards.
- (vi)  The Share transfer books of the Company will remain closed from October 21, 2008 to October 28, 2008 (both days inclusive). Physical transfers and CDC Transaction IDs received in order at the Registered Office of the Company up to the close of business on October 20, 2008 will be considered as on time for the determination of entitlement of shareholder and to attend and vote at the meeting.
- (vii)  Members are required to immediately notify regarding any changes in their registered address.



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## **Explanatory Statement Required under Section 160 (1) (B) of the Companies Ordinance, 1984 in Respect of the Special Business**

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

### **Change in Investment Advisory Contract**

The Securities and Exchange Commission of Pakistan has given its consent in principle for the merger of Asian Capital Management Limited with and into Safeway Fund Limited. This merger carries substantial benefits in terms of operating capability and some benefits include goal congruence and increase in risk absorption capacity.

The Company has an Investment Advisory Contract with Asian Capital Management Limited dated August 17, 2004, commencing from August 17, 2004 for a ten year period. In view of the upcoming merger, the Board has unanimously approved the transfer of the Investment Advisory Contract with Asian Capital Management Limited to Safeway Fund Limited on merger of the two companies.

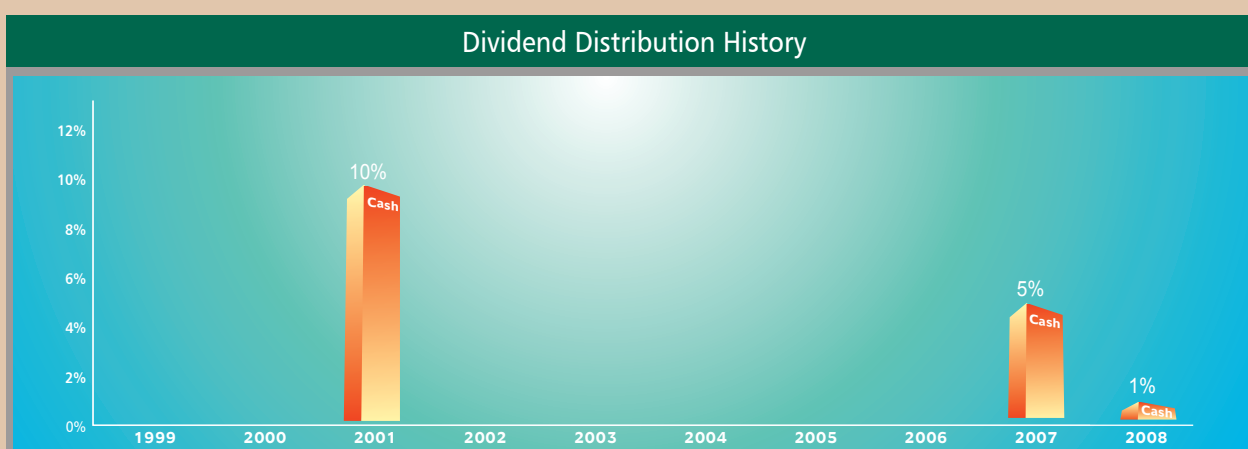
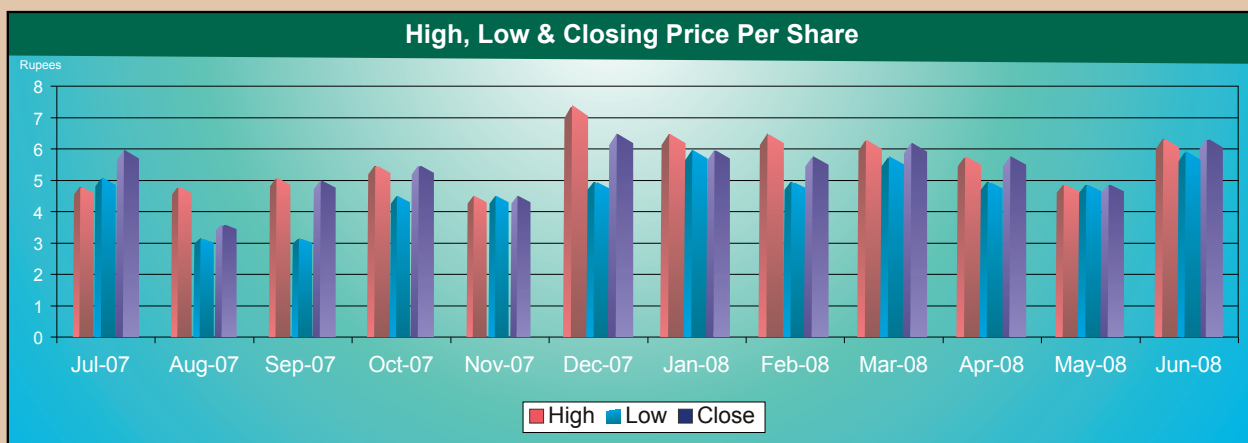
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None of the Directors have any interest in this special business.



## Shareholders' Diary and Record

<b>July 1, 2008</b>	Commencement of Financial Year 2009
<b>September 1, 2008</b>	Approval of 2008 Financial Statements by the Board of Directors
<b>October 6, 2008</b>	Publication of Notice of 14th Annual General Meeting in Newspapers
<b>October 21, 2008</b>	Start of Book Closure
<b>October 28, 2008</b>	Close of Book Closure & 14th Annual General Meeting
<b>October 2008</b>	Dispatch of 2009 First Quarter Financial Statements
<b>November 2008</b>	Dispatch of Dividend Warrant to Shareholders
<b>February 2009</b>	Dispatch of 2009 Half Year Interim Financial Statements
<b>April 2009</b>	Dispatch of 2009 Third Quarter Financial Statements
<b>June 30, 2009</b>	End of Financial Year 2009





## Pattern of Shareholding

Form - 34

Pattern of holding of the shares held by the Shareholders as at June 30, 2008:

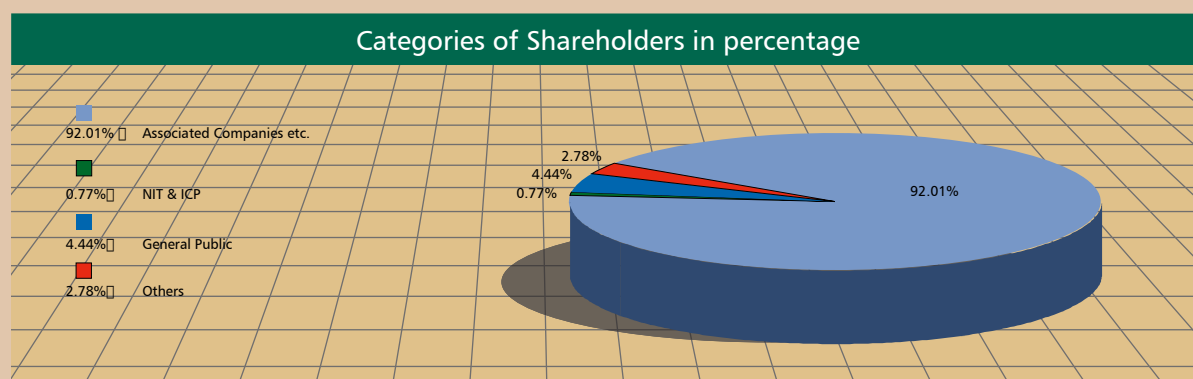
No. of Shareholders	Shareholding		Total Shares held
	From	To	
80	1	100	7,687
551	101	500	273,618
61	501	1,000	60,700
51	1,001	5,000	145,300
5	5,001	10,000	40,500
4	10,001	15,000	50,500
2	15,001	20,000	37,500
1	20,001	25,000	25,000
1	35,001	40,000	35,953
1	40,001	45,000	40,500
1	85,001	90,000	85,962
1	95,001	100,000	100,000
1	180,001	185,000	180,260
1	290,001	295,000	293,000
1	340,001	345,000	344,813
2	345,001	350,000	700,000
1	355,001	360,000	355,187
1	430,001	435,000	431,358
1	585,001	590,000	585,923
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	9,220,001	9,225,000	9,222,500
1	26,805,001	26,810,000	26,808,938
1	37,525,001	37,530,000	37,528,673
<b>774</b>			<b>90,000,000</b>





## Categories of Shareholders

	Shares Held	% age
<b>Associated Companies, Undertakings &amp; Related Parties</b>		
Asian Capital Management Limited	9,222,500	10.25
Safeway Fund Limited	180,260	0.20
Crescent Steel And Allied Products Ltd.	9,060,000	10.07
Crescent Commercial Bank Limited	26,808,938	29.79
Shakarganj Mills Limited	37,528,673	41.70
	<b>82,800,371</b>	<b>92.01</b>
<b>NIT &amp; ICP</b>		
National Bank of Pakistan, Trustee Deptt.	344,813	0.38
NBP Trustee - NIT (LOC) Fund	355,187	0.39
	<b>700,000</b>	<b>0.77</b>
<b>Modaraba and Mutual Funds</b>		
Modaraba and Mutual Funds	100	0.00
	<b>100</b>	<b>0.00</b>
<b>Other Companies</b>		
Other Companies	4,000	0.01
Other Companies (CDC)	2,497,141	2.77
	<b>2,501,141</b>	<b>2.78</b>
<b>General Public</b>		
A. Local	364,600	0.40
A. Local (CDC)	3,633,788	4.04
	<b>3,998,388</b>	<b>4.44</b>
	<b>90,000,000</b>	<b>100.00</b>
<b>Shareholders holding more than 10.00%</b>		
Asian Capital Management Limited	9,222,500	10.25
Crescent Steel and Allied Products Ltd.	9,060,000	10.07
Shakarganj Mills Limited	37,528,673	41.70
Crescent Commercial Bank Limited	26,808,938	29.79



# Statements

- **Statement of Governance, Ethics and Business Practices**
- **Statement of Compliance**  
with the Code of Corporate Governance
- **Statement of Value Added**



## 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 Fund 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, good and beneficial services and competitive rates.

- 5) We conduct our business in a responsible manner and with honesty and integrity. All transactions are required to comply with the prevailing laws and must 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, 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.



## Statement of Compliance with the Code of Corporate Governance

This statement is being presented to comply with the Code of Corporate Governance contained in listing regulations (Regulation # 37) of Karachi Stock Exchange (Guarantee) Limited, (Chapter XII) of Lahore Stock Exchange and (Chapter XI) of Islamabad Stock Exchange for the purpose of establishing a framework of good corporate governance, whereby a listed Company is managed in compliance with the best corporate governance.

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

- 1.□ The Company encourages representation of independent non-executive Directors on its Board. At present the Board includes three executive Directors and four non-executive Directors including the Chairman of the Board.
- 2.□ The Directors have confirmed that none of them is serving as a Director in more than ten listed Companies, including this Company.
- 3.□ All the resident Directors of the Company are registered as taxpayers and none of them has been convicted by a court of competent jurisdiction as a defaulter in payment of loan to a banking Company, a DFI or an NBFC. None of the Directors are a member of the Stock Exchange.
- 4.□ The casual vacancies which occurred in the Board of Directors were duly filled in by the Directors. In December 2007, the three year term of the Board of Directors expired and an EOGM was held to elect new directors for a further three year term.
- 5.□ The Company has prepared a 'Statement of Ethics and Business Practices', which has been signed by all the Directors and Employees of the Company.
- 6.□ The Board has adopted a Vision and Mission Statement. The most significant investment policy of the Company is defined in Memorandum and Articles of Association. A complete record of particulars of the above specified policies along with the dates on which they were approved or amended has been maintained.
- 7.□ All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, have been taken by the Board of Directors.
- 8.□ The meetings of the Board were presided over by a Chairman and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
- 9.□ The Directors were apprised regarding significant matters relating to the Code of Corporate Governance through locally and internationally published material on corporate governance. An interactive course was also held to discuss the requirements of the Code of Corporate Governance with the directors.
- 10.□ The Board approved the appointment of the Company Secretary / Chief Financial Officer along with the terms and conditions of the employment, as recommended by the Chief Executive Officer.
- 11.□ The Directors' Report for this year has been prepared in compliance with the requirements of the code and fully describes the salient matters required to be disclosed.
- 12.□ The financial statements of the Company were duly endorsed by the Chief Executive Officer and Chief Financial Officer before approval of the Board.



- 13.□ The Directors and Executives do not hold any interest in the shares of the Company.
- 14.□ The Company has complied with all the corporate and financial reporting requirements of the Code.
- 15.□ The Board has formed an Audit Committee comprising of three non-executive members.
- 16.□ The meetings of the Audit Committee were held at least once in every quarter prior to approval of the interim and final results of the Company and as required by the Code. The Audit Committee's Terms of Reference has been approved by the Board of Directors and is based on the guidance provided by the Code of Corporate Governance.
- 17.□ The Board has setup an effective Internal Audit function by outsourcing it to a professional firm.
- 18.□ The Statutory Auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan that they or any of the partners of the firm, their spouses and minor children do not hold share of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on Code of Ethics as adopted by Institute of Chartered Accountants in Pakistan.
- 19.□ The Statutory Auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulation and the Auditors have confirmed that they have observed IFAC guidelines in this regard.
- 20.□ We confirm that all other material principles contained in the Code have been complied with except as otherwise disclosed.

For and on behalf of the Board.

**ASIF HAIDER MIRZA**  
Chief Executive Officer□

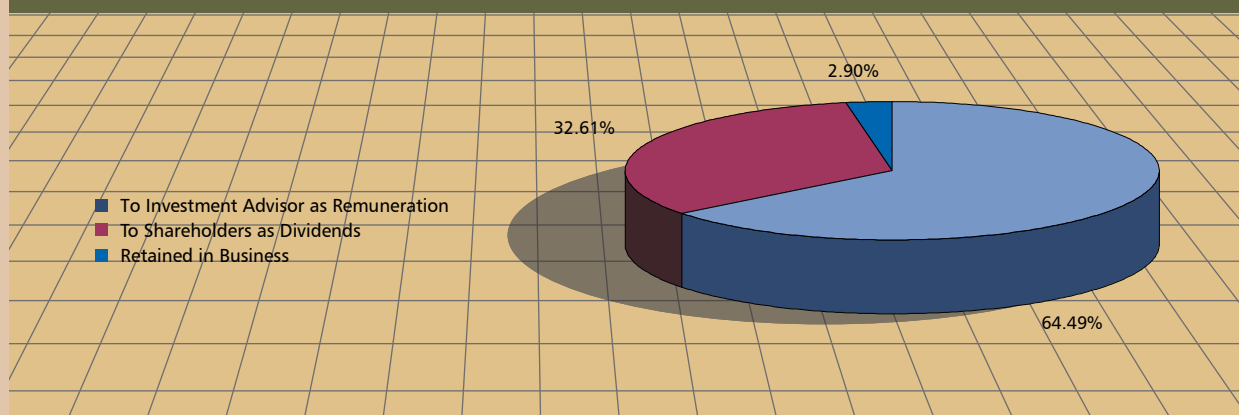


## Statement of Value Added

Statement of Value Added (Rs. in million)	2008	2007
Gain on sale of shares	104.8	84.4
(Loss) on remeasurement of investments	(111.5)	(12.7)
Dividend Income	25.5	10.8
Other Income	16.7	0.6
<b>Total</b>	<b>35.5</b>	<b>83.1</b>
Administrative and General Expenses	4.6	3.0
Impairment Charges on Investments	3.3	5.5
<b>Value Added</b>	<b>27.6</b>	<b>74.6</b>

Distributed as follows (Rs. in million)	2008	2007
To Investment Advisor as Remuneration	17.8	14.4
To Government as Taxes	-	(0.2)
To Shareholders as Dividends	9.0	45.0
Retained in Business	0.8	15.4
	<b>27.6</b>	<b>74.6</b>

Value Added Distribution 2008



# Reports and Statistics

- **Directors' Report**
- **Investment Advisor's Report on Fund Performance**
- **Financial Highlights**
- **Review Report to the Members on Statement of Compliance**  
with Best Practices of Code of Corporate Governance
- **Auditors' Report to the Members**





## Directors' Report

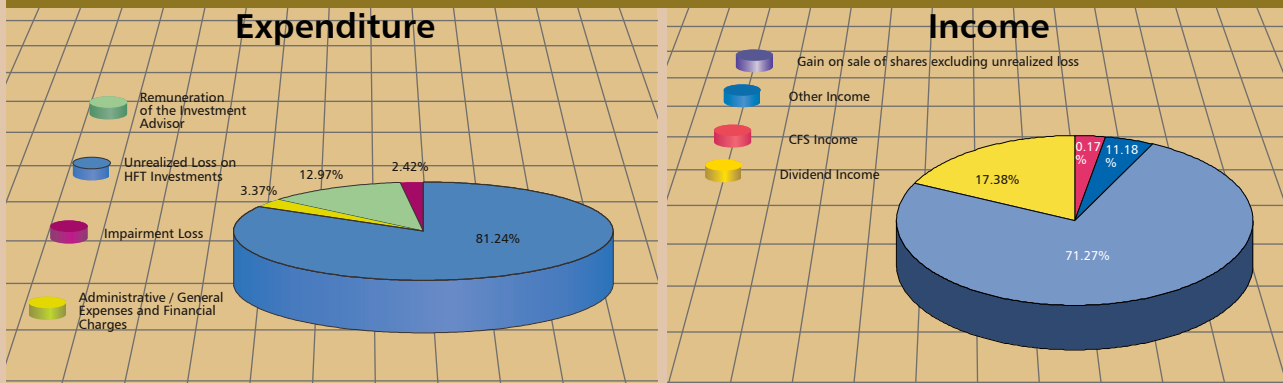
The Board of Directors of Asian Stocks Fund Limited is pleased to present the Annual Report for 2008 together with the audited financial statements for the year ended June 30, 2008.

### Financial and Operating Performance

A global level economic slowdown, liquidity crunch and creeping inflation, coupled with instability in the Pakistani political and economic front has resulted in a volatile and ultimately bearish market trend for the local market for the year ending June 2008. The performance of your Fund for the year is presented below:

	2008	2007
	(Rupees '000)	
<b>Income</b>		
Gain on sale of shares	104,774	84,534
Unrealized diminution on investments	(111,511)	(12,656)
Return on term finance certificates	4,442	627
Income from continuous funding system	245	-
Dividend Income	25,558	10,806
Other income	11,995	13,120
	<b>35,503</b>	<b>96,251</b>
<b>Operating expenses</b>		
Administrative and general expenses	(4,616)	(2,982)
Remuneration of Investment Advisor	(17,799)	(14,436)
Impairment charge on investments	(3,317)	(5,543)
	<b>(25,732)</b>	<b>(22,961)</b>
Profit before financial charges & tax	<b>9,771</b>	<b>73,290</b>
Financial charges	(14)	(19)
Profit before tax	<b>9,757</b>	<b>73,271</b>
Taxation	-	168
Profit after tax	<b>9,757</b>	<b>73,439</b>
EPS - basic and diluted	<b>0.11</b>	<b>0.82</b>
EPS – without unrealized loss	<b>1.35</b>	<b>0.96</b>

### Composition of Expenditure & Income





Through diversification of the portfolio combined with trading strategies to reduce the average cost of investment, unrealized losses were contained in liquid stocks other than strategic holdings. A more detailed analysis of the performance of the Fund compared to the overall economy and market performance is discussed in the Fund Manager's Report.

### Earnings Per Share

Earnings per share of the Fund have declined from Rs. 0.82 in the prior year to Rs. 0.11 in the current year. It may be noted that this arose largely as a result of the decline of the stock market in the last half of the year.

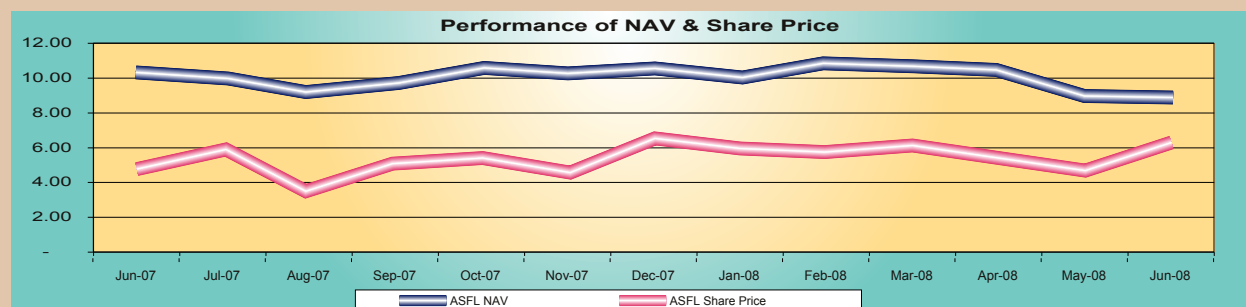
The EPS of the Fund excluding the impact of the unrealized diminution of the investment portfolio at yearend, actually increased from Rs. 0.96 to Rs. 1.35 in the current year.

### Dividend

The Directors have recommended a cash distribution of 1.0% for the year.

### Share Price Movement

During the year, the Fund's share price witnessed a high of Rs. 7.20 and a low of Rs. 3.10.



### Fund Managers' Report

The Investment Advisor has prepared a detailed Fund Manager's report which includes an analysis on the performance of the Fund, the risk management policies adopted and the control environment in place to ensure continued performance of the Fund. This report has been reviewed by the Board of Directors and forms an integral part of this Directors' Report.

### Role of the Investment Advisor / Asset Manager

As a closed end mutual fund regulated under the Non-Banking Finance Company and Notified Entities Regulations, 2007, and the Non-Banking Finance Company Rules (Establishment and Regulation) 2003, all aspects of the Fund's operations are managed by its Investment Advisor, Asian Capital Management Limited (ACML).

As explained in the 2007 Annual Report, the Fund's performance for 2006 was not in line with expectations and the Fund recorded a loss during that year. During the first half of the 2007 financial year, steps were taken to reconstitute the Board of Directors of the Investment Advisor and the Fund itself. This was done as part of a revamping and restructuring exercise which was commenced to regularize various aspects of operations, improve the control environment and improve the performance of the Investment Advisor and consequently the Fund itself. Similar steps were taken at an associated concern - Safeway Mutual Fund Limited and for its Investment Advisor, Safeway Fund Limited (SFL).

The Board of Directors of the above companies largely comprise of the same professionals who have been specifically appointed to facilitate this revamping and restructuring process. Significant progress has taken place in this regard, and various other steps are still in process to further strengthen the Company's portfolio, risk management policies and control environment.



*In-house Training Session for Directors*

As part of this restructuring process, during the year, the Fund's Investment Advisor – Asian Capital Management Limited and Safeway Fund Limited (Investment Advisor – Safeway Mutual Fund Limited) ownership changed from Crescent Standard Business Management (Private) Limited to a consortium comprising of Crescent Steel and Allied Products Limited and Shakarganj Mills Limited, which are both listed companies.

The two investment advisors have also received in principle consent from the SECP for their merger. The merged Investment Advisory Company – Safeway Fund Limited would manage both Safeway Mutual Fund Limited and Asian Stocks Fund Limited. This measure is expected to improve operational efficiency by reducing common costs and would be of benefit to the investors of both Funds. In the meanwhile, the same management team is managing the operations of both Investment Advisor Companies.

### **Corporate Governance**

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

- ☐ The financial statements of the Company fairly present its true state of affairs, the results of its operations, cash flows and changes in equity.
- ☐ The financial statements have been duly audited and approved without qualification by the auditors of the Company, Messrs A.F. Ferguson and Company, Chartered Accountants and their report is attached with the financial statements.
- ☐ The Company has maintained proper books of accounts.
- ☐ Appropriate accounting policies have been consistently applied in the preparation of the financial statements and all accounting estimates are based on reasonable and prudent judgment.
- ☐ International Accounting Standards as applicable in Pakistan have been followed in preparation of the financial statements.
- ☐ The system of internal control is sound and has been effectively implemented and monitored except for the matters disclosed in the annual report.
- ☐ There are no doubts upon the Company's ability to continue as a going concern.
- ☐ Details of related party transactions are disclosed in the financial statements.
- ☐ There has been no material departure from the best practices of corporate governance as detailed in the listing regulations of the stock exchanges.

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



### Key Operating and Financial Data

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

### Auditors

The Company's retiring auditors, Messrs A.F. Ferguson and Company, Chartered Accountants being eligible offer themselves for reappointment. As proposed by the Audit Committee, the Board of Directors has recommended their appointment as auditors of the Company for the year ending June 30, 2009 to the shareholders.

### Pattern of shareholding

The pattern of shareholding and additional information regarding pattern of shareholding is shown in the annual report.

### Termination of Lahore Operations

With the authorization of the Board of Directors, the Fund transferred all accounting and operational data from Lahore to Karachi and terminated its Lahore operations. The Company's registered office however remains in Lahore.

### Change in the Company's Legal Advisor

In view of the transfer of the Company's operations to Karachi, the Company has changed its legal advisor to Ahmed and Qazi Advocates.

### Change in the Internal Auditors

In view of the transfer of the Company's operations to Karachi, the Company has changed its internal auditors to Anjum Asim Shahid Rahman, Chartered Accountants.

### Election of Directors

At an EOGM of the shareholders of the Company held on December 27, 2007, the shareholders elected seven directors of the Fund for a tenure of three years.

The Board would like to thank the retired directors of the Fund who filled up casual vacancies in 2006 and 2007 to facilitate the restructuring and revamping exercise. Their guidance, support and dedication during their tenure was instrumental in this exercise.

### Attendance at Board Meetings

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

Board of Directors	Status	Attended	Meetings*
Pervez Akhtar	Chairman	2	2
Abdul Rauf	Director	2	2
Asif Ali	Director	2	2
Asif Haider Mirza	CEO	4	4
Intisar Usmani	Former Director	1	2
Latif Khawar	Director	4	4
M. Arshad	Former Director	2	2
M. Younus Chaudhary	Former Director	2	2
Muhammad Naguib Saigal	Director	1	2
Mohammad Naeem Baig	Former Director	2	2
Tehmeena Anis Khan	Director	3	4

\* Being the number of Meetings the Director was eligible to attend

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



### Attendance at Audit Committee Meetings

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

Audit Committee	Status	Attended	Meeting*
Abdul Rauf	Member	1	1
Asif Ali	Member	1	1
Latif Khawar	Former Member	3	3
Mohammad Naeem Baig	Former Member	2	3
Muhammad Naguib Saigal	Chairman	1	1
Tehmeena Anis Khan	Former Member	2	3

\* Being the number of meetings the Member was eligible to attend.

Leave of absence was granted by the Committee to those members who could not attend the Audit Committee meetings.

The Audit Committee Charter defines the Terms of Reference (ToR) of the Committee whose primary responsibility is to safeguard the interests of the Fund’s shareholders and other stakeholders by ensuring sound internal controls, compliance with established policies and procedures, compliance with best practices including the Code of Corporate Governance issued by the Securities and Exchange Commission of Pakistan (SECP) and by completing all other responsibilities assigned to the Committee by the BOD.

The Charter defines amongst other things:-

- Membership of the Audit Committee
- Responsibilities of the Audit Committee
- Authorities of the Audit Committee
- Quorum
- Conduct of Meetings

### Trading in shares by directors

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

### Corporate Governance

Various steps are being taken to continuously improve corporate governance and strengthen the control environment.

### Human Resources

We believe that competent, dedicated and diligent employees are the primary asset of any organization. The Investment Advisor improved its workforce in the last two years by recruiting and retaining experienced and reliable staff. The recruitment process is transparent and merit is the only criterion for selection. The Company also encourages its employees to further enhance their skill set and is willing to provide them with training in this regard. At June 30, 2008 the Investment Advisor’s employee base is represented by 13 employees of Safeway Fund Limited who dedicate 50% of their time to the operations of Asian Capital Management Limited and Asian Stocks Fund Limited.

The Investment Advisor also plans to appoint, independent, non executive directors on the Board of Directors in the due course of time.

### Safety Health and Environment

The concept of sustainable development calls for the conduct of business operations in a manner which doesn’t result in damage to the environment. The Investment Advisor attempts to minimize environmental pollution and properly disposes of any waste generated. The Investment Advisor aims to create a paperless environment and promote the use of electronic communication. The Investment Advisor is also committed to provide a safe and healthy working environment for its employees.



### **Information Technology**

Management Support Systems play a pivotal role in the growth of organizations. Therefore, in order to further improve our operational efficiency and controls the Investment Advisor has invested in an accounting and portfolio software system which has been acquired from a renowned vendor and this system has been implemented. This system will help streamline our operations by providing a central database for generating reports and analysis to facilitate timely management decision making. Various improvements are being made to the software to suit the Fund's reporting requirements.

A website has been developed on and enhancements and improvements to the website will be made in the future.

### **Business Processes**

The operations of the Investment Advisor and the Fund are now located in Karachi to facilitate improved coordination and control. The Fund also outsourced the internal audit function to renowned chartered accountant firm to monitor the compliance of the Company with all aspects of good governance.

### **Credit Rankings / Ratings**

The Fund's last ranking from JCR – VIS is based on June 2008 performance. In this ranking the Fund has been placed as MFR\*1 for one year performance however it has been placed at MFR\*4 for two year performance.

The rating of the management company is in process. In view of the significant improvement in the control environment and the risk management policies of the Company, management expects to obtain a good rating in the upcoming year.

### **Corporate Social Responsibility**

Corporate social responsibility calls for maximizing value for all stakeholders. Although the Fund recognizes the importance of its most important stakeholder - the investors, and acts in their best interest it doesn't at any time neglect the interests of other stakeholders. Employees, Government and the Investor Population are our other important stakeholders and we intend to perform all actual and moral duties towards them. Contribution towards these stakeholders is shown in the Statement of Value Added.

### **Events after Balance Sheet Date**

#### **Best Corporate Report Award 2007**

The Fund was placed in the top 5 of the financial sector in the Best Corporate Report Awards 2007 hosted by a joint committee of the Institute of Chartered Accountants of Pakistan and the Institute of Cost and Management Accountants in Pakistan. Asian Stocks Fund Limited was the only Non Banking Finance Company to be placed in the top 5.

#### **Change in Chief Executive Officer**

Subsequent to yearend the undersigned has tendered his resignation as Director and Chief Executive Officer of the Fund for personal reasons. Mr. Nihal Cassim has been appointed as the new Chief Executive Officer of the Fund subject to the approval of the SECP.

#### **Change in Directors**

Subsequent to yearend, Ms. Tehmeena Khan and Mr. Latif Khawar, who are also directors on the Board of Safeway Mutual Fund Limited, resigned as directors of the Fund. Mr. Ali Altaf Saleem and Mr. Nihal Cassim have been appointed in their stead subject to the approval of the Securities and Exchange Commission of Pakistan.



### Future Outlook

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

### Acknowledgement

The Board wishes to place on record its appreciation to the Securities and Exchange Commission of Pakistan, the Stock Exchanges and its Custodian – CDC for their continued guidance and support.

The Board extends its thanks and commendation to the Investment Advisor's team for their continued efforts in strengthening the policies, procedures and control environment of the Fund which has allowed the Fund to re-establish its market position.□

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

For and on behalf of the Board of Directors.

ASIF HAIDER MIRZA  
Chief Executive Officer



Lahore - September 1, 2008



## **Investment Advisor's Report on Fund Performance**

### **FUND MANAGERS REVIEW**

The Investment Advisor / Asset Manager, Asian Capital Management Limited, is pleased to present its review on the performance of Asian Stocks Fund Limited for the year ended June 30, 2008. This report forms an integral part of the Directors Report for the year ended June 30, 2008.

### **Fund Category and Type**

Asian Stocks Fund Limited 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 as an Investment Company under the Investment Companies and Investment Advisor / Asset Managers Rules, 1971 to carry on the business of a closed end investment company. The Fund primarily invests in the shares of listed companies. It is now registered and regulated under the NBFC Regulations, 2007.

### **Investment Philosophy & Strategy**

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 high quality equity issues and by diversifying across sectors poised to gain the most from the prevalent macro-economic trends. At the same time the Company promotes measures to stabilize revenues by investing an allowable portion of its assets in other non-equity securities including listed fixed income securities and hybrid equity issues. The relevant asset allocation percentage is determined after considering market conditions and corroborating the basis for investment decisions through third parties and external research sources.

The extent of the achievement of this objective is discussed in the analysis of the results of operations.

### **Economic Performance**

The past year has been challenging both domestically and internationally as critical developments continued to unfold on both fronts. Markets worldwide have been struggling as the impact of the sub prime crisis trickle down into the real sector. The burst of the credit bubble, combined with an increase in commodity prices and rising inflation during this period of limited growth has created recessionary trends in some of the developed economies although the full impact of these trends is yet to be established. Pakistan's economy, which had been enjoying an enviable growth for the past five years struggled during the year as a result of political instability, reduction in national savings rate, weakened investor confidence, supply shocks and also rising inflation. Foreign reserves have also declined since last year, and the Pakistani currency has depreciated more than 12% against the USD this year. Nevertheless, although the GDP target of 7.2% was not achieved, the country enjoyed 5.8% growth. Worker remittances increased by more than 17% and stood at USD6.45 billion.

### **Market Performance**

With the various economic and political uncertainties including the political power struggle and the judicial crisis, investor confidence especially foreign investor confidence weakened, and the market remained under pressure declining by more than 10% during the year. The KSE 100 index which was 13,772 points on June 30, 2007 closed at 12,289 points on June 30, 2008. This downward trend continued in the new financial year to reduce the index to less than 10,000 points. To rejuvenate investor confidence, an Equity Market Opportunity Fund was commissioned to support the market and the positive impact of this fund will hopefully be seen in the next financial year.

The banking sector performance remained positive despite efforts made by the banking regulators to control banking spreads and reduce the money supply through an increase in the discount rate and the establishment of a minimum rate of return for deposits. The oil and gas sector also outperformed the market, on the back of significant increase in oil prices, depreciation of the Pakistani rupee and worldwide increase in demand for energy.





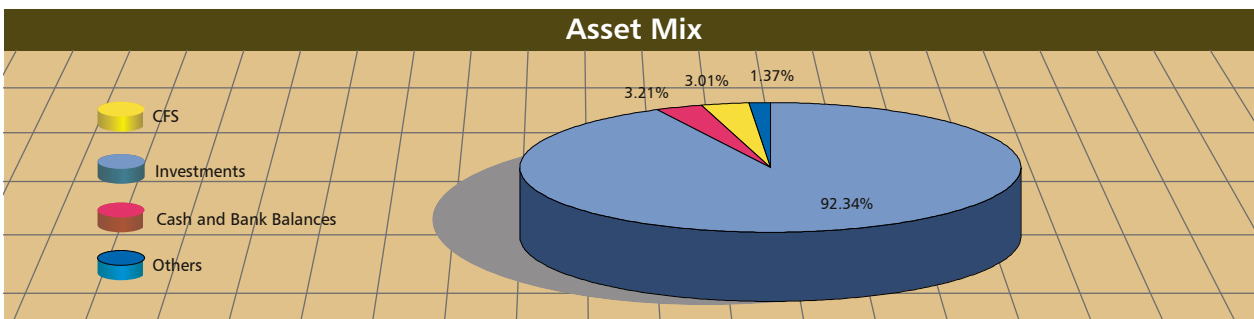
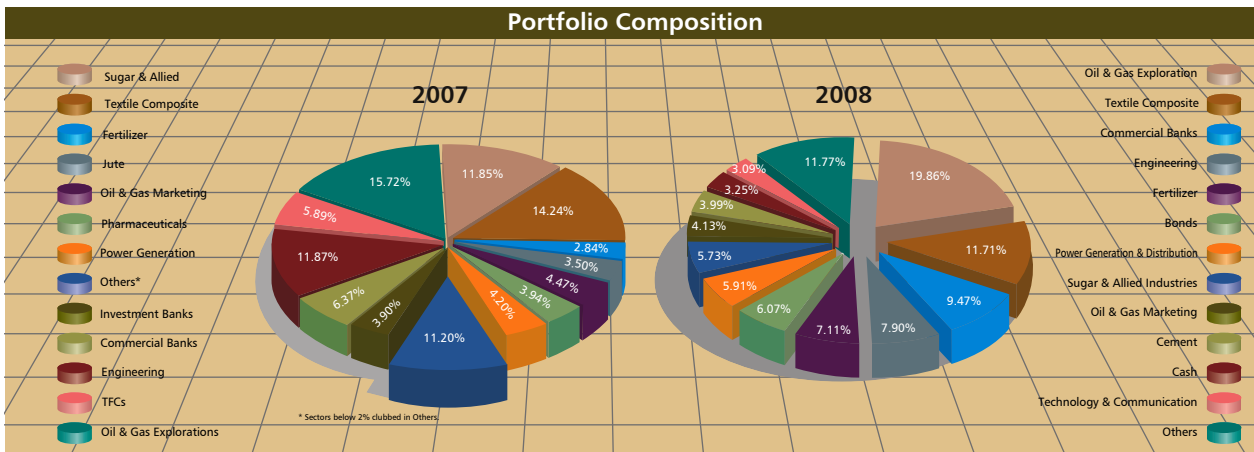
### Sector Performance

In line with the performance of the market, the Mutual Fund sector at large performed below expectations during the year. Up to date information on the performance of the mutual fund industry may be viewed on the Mutual Funds Association of Pakistan website [www.mufap.com.pk](http://www.mufap.com.pk).

### Portfolio Statistics

During the year the Fund reduced its exposure to any particular group of companies to diversify its risk base. In addition, efforts were made to dispose off "dead" stocks in the portfolio and reduce the number of scripts in which the Fund was invested in to allow improved monitoring of investments.

The Company's portfolio as of June 30, 2008 was invested in the following sectors:





The Fund has realigned its portfolio by increasing its exposure in oil and gas exploration companies, trimming down exposure in commercial banks, and maintaining a limited level of investment in the oil and gas marketing sector. The high exposure in textile composite, engineering and sugar and allied sectors are attributable to large strategic holdings held in investments available for sale. The rest of the portfolio is broadly distributed amongst various sectors to ensure that the beta of the portfolio is close to 1.

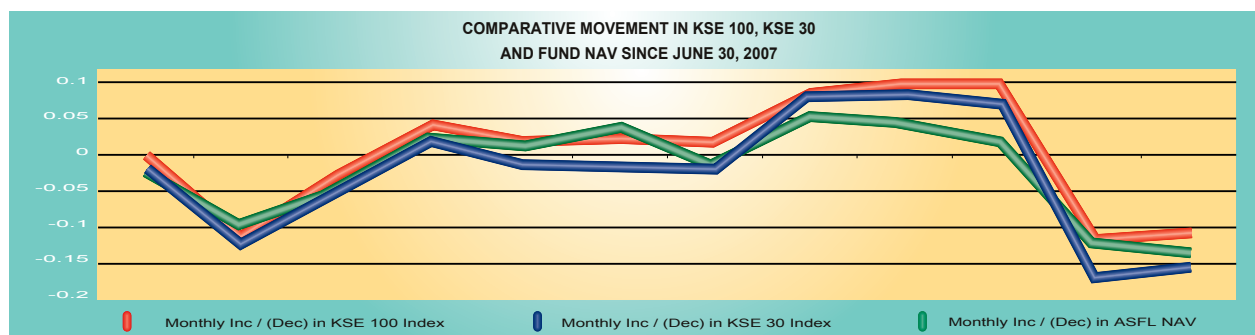
### Results of operations

The Fund performed satisfactorily during the year under review and earned realized capital gains of Rs. 105 million compared to Rs. 84 million in the prior year. Dividend income and other income also increased by 57% to contribute Rs. 37.5 million to the income head. However due to the significant decline in the stock market index towards the end of the financial yearend, the unrealized diminution on investments at fair value through profit and loss increased significantly from Rs. 12.7 million in the prior year to Rs. 111.5 million in the current year negating the positive earnings for the year.

Operating expenses of Rs. 25.7 million represented an increase of 12.1% from the prior year and includes a Rs. 3.3 million impairment loss. Almost 70% of the Fund's total expenditure represents remuneration to the Investment Advisor / Asset Manager. Asian Capital Management Limited as the Investment Advisor / Asset Manager has been remunerated by the Fund for its services in accordance with the guidelines issued in the NBFC Regulations, 2007 in terms of which 2% of the Fund's average Net Asset Value is paid as remuneration.

The impact of the above was that the profit after tax for the year declined from a profit of Rs. 73,439 in the prior year to Rs. 9,757 in the current year. This translates to a reduction in EPS from Rs. 0.82 to Rs. 0.11. It may be noted that the EPS of the Fund excluding the impact of the unrealized diminution of the investment portfolio at yearend, actually increased from Rs 0.96 in the prior year to Rs 1.35 in the current year.

The Fund's NAV registered a decline of almost 9.95% to close at Rs. 8.84 per share as of June 30, 2008. The KSE 100 index and KSE 30 index, declined by 10.77% and 15.70% respectively during the same period and the movement of the Fund's NAV against these indicators is shown in the graph below:



### Distribution

The Board of Directors have proposed a distribution of 1% to the shareholders, which will reduce the net asset value per share by Rs. 0.10.

### Performance Table

The Fund's performance table is separately disclosed in the Annual Report.



## Investment Committee

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

Name	Designation at SFL	Qualification	Experience
Asif Haider Mirza	Chief Executive Officer	FCA – ICAP, CF - ICAEW	14 years
Latif Khawar	Chief Financial Officer	FCA – ICAP	14 years
Asif Iqbal	Fund Manager	MBA	5 years

## Rating

The Fund's rating agency monitors the performance of the Fund against a peer group. The peer group is identified by the rating agency based on various factors including fund type, objective and size. For the period ended June 2008, the Fund achieved a MFR 1 Star ranking for its one year performance and a MFR 4 star ranking for its two year performance.

Up to date information on the performance of the mutual fund industry at large and the market share of the Fund in comparison with the industry may be viewed on the Mutual Funds Association of Pakistan website [www.mufap.com.pk](http://www.mufap.com.pk).

## Risk Management

### Liquidity Risk

Liquidity risk is the risk that the Fund may encounter delays and difficulties in selling an asset and converting it to cash. Most securities owned by mutual funds can be sold easily and at a fair price. In highly volatile markets, such as in periods of sudden interest rate changes, securities may become less liquid, which means they cannot be sold as quickly or as easily. Some securities may be illiquid because of legal restrictions, the nature of the investment, or other features, like guarantees or a lack of buyers interested in the particular security. Difficulty in selling securities may result in a loss or reduced return for a fund.

The Investment Advisor / Asset Manager manages this risk by investing a major portion of the Company's assets in highly liquid financial assets spread amongst a wide range of economic sectors. Securities with limited liquidity are only invested in to achieve a specified purpose or after having considered a suitable exit plan.

### Market Risk

Market risk is the risk that the value of securities will fluctuate as a result of market interest rates or the market price of securities due to a change in credit rating of the issuer, speculative activities, supply and demand of securities and liquidity in the market. Significant fluctuations would result in a considerable reduction in return and would be contrary to the stated aim of the Fund which is to provide long-term growth for its investors. To address this concern, the Company has adopted a portfolio diversification strategy which entails maximization of the allowable limit for investment in other securities, diversification in stocks, limiting exposure in companies controlled by the same sponsors, and investment in different sectors. This approach is pursued to create a mix of high and low risk (beta) securities.

### Risks relating to small companies

Small companies are considered riskier investments than larger companies. They are often newer, and do not have a track record, strong financial backing or a well-established market. In addition, these companies usually have a smaller market float making it difficult for the fund to buy or sell these stocks when it needs to. The Company manages this risk by investing largely in blue chip counters. Investments in smaller companies are limited and are made only after a detailed analysis and consideration of the risks and rewards associated with such an association.

### Credit risk

Credit risk arises from the inability of the issuer of the instruments, the relevant financial institutions or counter parties to fulfill their obligations.



Credit risk exists when changes in economic or industry factors affect groups of counter parties whose aggregate credit exposure is significant in relation to the company's total credit exposure. If a mutual fund invests heavily in a specific sector, the fund will be heavily reliant on the performance of that sector for example, world trading price, forces of nature, economic cycles, commodity prices, exchange rates and political events.

The Fund manages credit risk by keeping its portfolio diversified in accordance with the regulations laid down by the Securities and Exchange Commission of Pakistan. The Fund's portfolio of financial assets is broadly diversified and transactions are entered into with diverse credit worthy counter-parties thereby mitigating any significant concentration of credit risk. The Fund does not have more than 25% exposure in any one group of companies.

There is a possibility of failure of the financial markets/stock exchanges, the depositories, the settlement or the clearing system etc. Asian Capital Management Limited as Investor Advisor to Asian Stock Fund Limited conducts its transactions with the brokers approved by the Fund's Board of Directors. All applicable rules of the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 and NBFC Regulations, 2007 are followed in this regard. The criteria for selecting a broker includes support services such as research, commission rates and reputation in the market place. No broker is given preferential treatment and neither Asian Capital Management Limited nor any of its delegates received any soft commissions from its brokers by virtue of transactions conducted by the Fund.

### **Interest Rate Risk and Inflation**

In general, as prevailing interest rates fall, the price of fixed income securities will rise. When interest rates rise, the prices of fixed income securities will fall.

In general, the longer the term to maturity of a debt security, the higher its yield and the greater its sensitivity to changes in interest rates.

Interest Rate Risk is the risk that if interest rates in the economy increase, the market value of the financial instrument will decline. Changes in levels of inflation may also affect the value of the instrument which will increase when inflation increases and tends to decrease when inflation decreases. This risk is mitigated by continuous monitoring of market conditions to ensure that appropriate decisions can be made on a daily basis as well as active asset allocation between equity and fixed income securities in view of prevailing and/or forecasted economic conditions.

### **Market Rate of Return Risk**

This is the risk that the value of a financial instrument will fluctuate due to change in market interest rate. The Company is not exposed to a significant MROR risk.

### **Future Outlook**

#### **Economic Performance**

Pakistan had emerged as a lucrative destination for foreign investors due to its attractive returns in the region and higher GDP growth resulting in demand and expansion in various sectors of the economy. The only negating factor has been political instability and an erratic level of control over law and order.

The impact of the establishment of a new coalition government and the resignation of the head of state for the last 7 years appears to be have been taken positively by local investors however the long-term impact of this political shuffle is yet to be established. Of key importance is its impact on foreign investors. If political and economic stability can be established, law and order controlled, and investor friendly policies maintained, the banking, telecom, real estate and oil & gas sectors have been the recipients of significant foreign investments in the last few years and this trend can be expected to continue in the future.

#### **Market Performance**

Stock markets act as a barometer of the economy's performance and the KSE's relatively poor performance during the year can be linked to the economic and political conditions. If the political rearrangements can bring about some level of stability, Pakistan's capital market will be very attractive for investors as many of the KSE scripts offer very low P/E multiples compared to other scripts in the region.



The performance for the upcoming year is not expected to be typical as the profitability of both the historical outperformers - the banking and oil and gas sectors, may be under pressure. In the case of the banking sector the increase in the State Bank of Pakistan's discount rate as well as the deterioration of loan portfolios in view of the weakened economic conditions are likely to have a detrimental impact on the performance and valuations of the sector. Regulatory alignment of profit margins in the oil and gas marketing sector for oil marketing companies and refineries in a bid to control oil prices may have a negative impact on this sector. These sectors will therefore have to consider fresh methods and initiatives to improve their performance.

### Dependency of Fund Performance on Market Performance

The performance of a mutual fund is dependent on various factors including the overall performance of the economy, the performance of the stock market, foreign investments, the performance of the fund's portfolio, realization of dark horse investments during the period, execution of any strategic sales as well as the day to day trading performance of the Fund.

Whereas policies and procedures have been put in place to ensure that the interest of the shareholders is continually safeguarded, the performance of the Fund in any one year is not a clear indicator of the projected performance of the Fund. The Fund endeavours to reduce its beta to close to one, thereby linking Fund performance to market performance. However the reduction of beta, is not a guarantee of good returns, as any market is subject to unavoidable or systemic risk. This year, the Fund's performance was below expectations in view of the considerable uncertainties in the political and economic scenes which resulted in a poor performance for the market as a whole.

### Future Plans

Long term future plans may include product diversification, the introduction of a new partner to increase market capitalization in the existing funds or to introduce a family of funds. However in the medium-term, the Investment Advisor / Asset Manager plans to focus on the continued strengthening of the Fund through effective control systems and a well diversified portfolio to ensure that the Fund is well placed to perform well and expand in the ensuing years.

### Acknowledgement

The Investment Advisor / 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 Stock Exchanges and the Custodian – CDC for their continued guidance and support.

The Investment Advisor / Asset Manager extends its thanks and commendation to its team for their continued dedication and efforts in facilitating the revamping and restructuring exercise of the Fund which has allowed the Fund to establish a position in the sector.□

For and on behalf of Asian Capital Management Limited.□



**ASIF IQBAL** □  
Fund Manager □



**TEHMEENA ANIS KHAN** □  
Chief Executive Officer



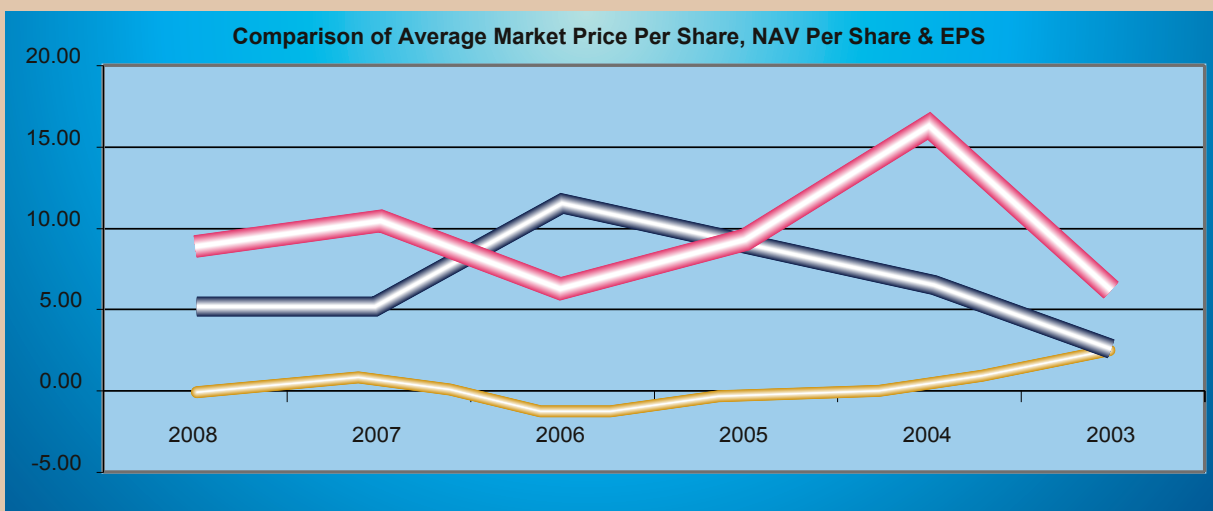
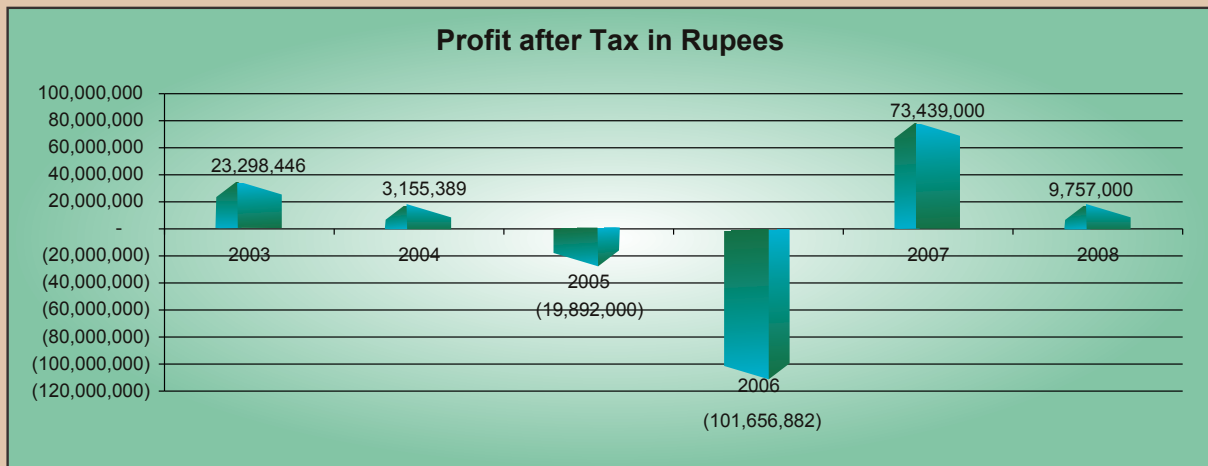
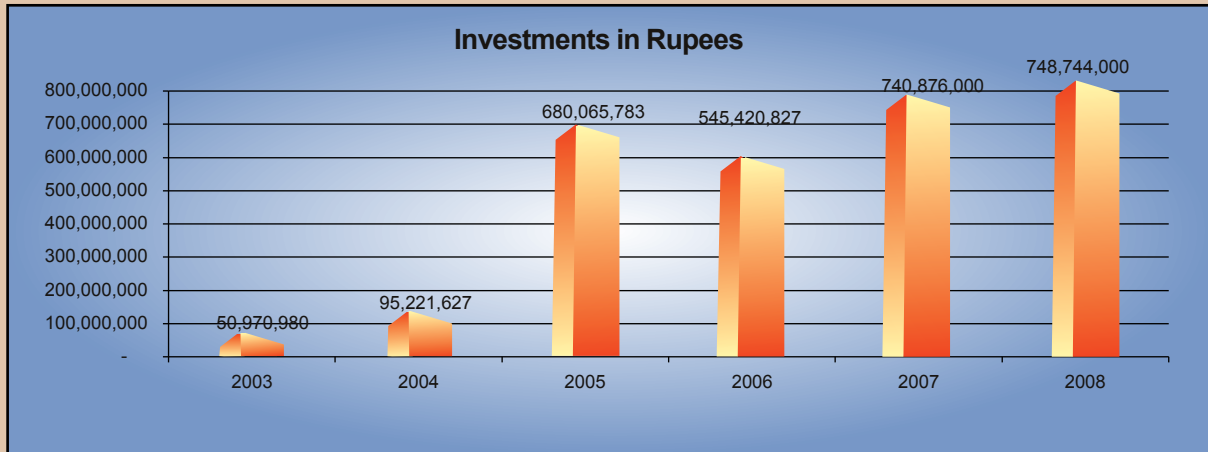
## Financial Highlights

	2008	2007	2006	2005	2004	2003
	Rupees					
<b>Income Statement</b>						
Income	35,503,000	96,251,000	(82,691,130)	(1,143,466)	6,605,453	25,254,803
Expense	25,746,000	22,980,000	18,237,314	18,378,592	3,192,279	2,039,838
Gain/(Loss) on Sale of Securities	104,774,000	84,354,000	24,236,844	(66,737,604)	(3,178,446)	21,235,696
Gain/(Loss) on Remeasurement of Investments	(111,511,000)	(12,656,000)	(119,706,468)	54,398,777	5,826,116	186,065
Remuneration of the Investment Advisor	17,799,000	14,436,000	15,107,000	14,596,979	-	945,674
Profit/(Loss) before Taxation	9,757,000	73,271,000	(100,928,444)	(19,522,058)	3,413,174	23,214,965
Profit/(Loss) after Taxation	9,757,000	73,439,000	(101,656,882)	(19,892,000)	3,155,389	23,298,446
<b>Balance Sheet</b>						
Net Assets	795,973,000	919,323,000	543,268,504	833,112,476	59,531,504	58,376,115
Share Capital	900,000,000	900,000,000	900,000,000	900,000,000	900,000,000	900,000,000
Investments	748,744,000	740,876,000	545,420,827	680,065,783	95,221,627	50,970,980

<b>Ratios and Supplemental Data</b>	2008	2007	2006	2005	2004	2003
Income to Expense	1.38	4.19	(4.53)	(0.06)	2.07	12.38
Price to Earning	47.82	6.55	(10.06)	(29.82)	15.87	1.08
Price to Book Value	0.60	0.53	1.88	0.97	0.41	0.43
Market Capitalization (Rs.)	473,400,000	483,330,508	7,022,608,696	805,226,087	65,086,614	25,146,067
Average NAV (Rs.)	889,950,000	721,800,000	755,350,000	729,848,950	77,600,000	47,283,700
Return on Capital Employed	1.14%	10.17%	-13.46%	-2.73%	4.07%	49.27%
Profit before Tax	27.48%	76.00%	122.00%	17.07%	0.52%	0.92%
Dividend Yield	1.90%	9.31%	0.00%	0.00%	0.00%	0.00%
Dividend Payout	90.91%	60.98%	0.00%	0.00%	0.00%	0.00%
Average Market Price (Rs.)	5.26	5.37	11.36	8.95	6.51	2.51
Net Assets Value per Share (Rs.)	8.84	10.22	6.04	9.26	15.95	5.84
Earnings/(Loss) per Share (Rs.)	0.11	0.82	(1.13)	(0.30)	0.41	2.33
Payout - Cash per Share (Rs.)	0.10	0.50	-	-	-	-



## Financial Highlights in Graphical Form



Average Market Price      NAV per Share      Earnings/(Loss) per Share

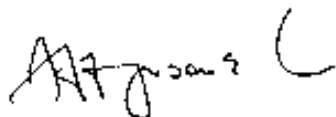
## **Review Report to the Members on Statement of Compliance with Best Practices of Code of Corporate Governance**

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 (the Company) to comply with the Listing Regulation No. 37 of Karachi Stock Exchange, Chapter XII of Listing Regulations of the Lahore Stock Exchange and Chapter XI of Islamabad Stock Exchange, 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 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 have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

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, 2008.



**A.F. Ferguson & Co.**  
Chartered Accountants

Lahore - September 1, 2008



## Auditors' Report to the Members

We have audited the annexed statement of assets and liabilities of Asian Stocks Fund Limited as at June 30, 2008 and the related income statement, distribution statement, cash flow statement and statement of movement in equity and reserves – 'per share' together with the notes forming part thereof (here-in-after referred to as the financial statements), for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards, the requirements of the Companies Ordinance, 1984, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 and the Non-Banking Finance Companies and Notified Entities Regulations, 2007. 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 the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

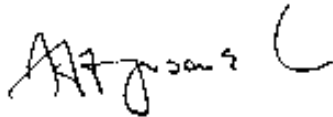
(a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 and the Non-Banking Finance Companies and Notified Entities Regulations, 2007;

(b) in our opinion

(i) the statement of assets and liabilities and income statement, distribution statement, cash flow statement and statement of movement in equity and reserves – 'per share' together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 and the Non-Banking Finance Companies and Notified Entities Regulations, 2007 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 statement of assets and liabilities, income statement, distribution statement, cash flow statement and statement of movement in equity and reserves – ‘per share’ together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 and the Non-Banking Finance Companies and Notified Entities Regulations, 2007, 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, 2008 and of the profit, its distributions, its cash flows and movement in equity and reserves for the year then ended;
- (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 the ordinance.



**A.F. Ferguson & Co.**  
Chartered Accountants

# 2008

# Financial Statements

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- **Statement of Assets and Liabilities**
- **Income Statement**
- **Distribution Statement**
- **Cash Flow Statement**
- **Statement of Movement in Equity and Reserves - 'per share'**
- **Notes to and forming part of the Financial Statements**
- **Performance Table**
- **Statement of Income and Expenditure in Relation to the Investment Advisor**



## Statement of Assets and Liabilities As at June 30, 2008

	Note	2008	2007
(Rupees '000)			
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and bank balances	5	26,068	215,653
Short-term investments	7	748,744	740,876
Receivable against continuous funding system		24,940	-
Receivable against sale of investments		1,310	8,577
Dividend receivable		4,412	1,054
Income tax refundable		1,133	928
Prepayments and other receivable	6	674	1,331
		<b>807,281</b>	<b>968,419</b>
<b>Non-current assets</b>			
Long-term deposits		3,575	75
<b>TOTAL ASSETS</b>		<b>810,856</b>	<b>968,494</b>
<b>Current liabilities</b>			
Remuneration payable to Investment Advisor	8	1,493	14,436
Accrued expenses and other liabilities	9	13,390	34,735
		<b>14,883</b>	<b>49,171</b>
<b>NET ASSETS</b>		<b>795,973</b>	<b>919,323</b>
<b>SHAREHOLDERS' EQUITY</b>			
<b>Authorized share capital</b>			
100,000,000 (June 30, 2007: 100,000,000) ordinary shares of Rs. 10 each		1,000,000	1,000,000
<b>Issued, subscribed and paid-up capital</b>			
90,000,000 (June 30, 2007: 90,000,000) ordinary shares of Rs. 10 each	10	900,000	900,000
<b>Capital reserve</b>			
Unrealized appreciation in fair value of investments classified as 'available for sale'	11	17,795	105,902
<b>Revenue reserve</b>			
Unappropriated loss	11	(121,822)	(86,579)
		<b>795,973</b>	<b>919,323</b>
<b>Contingencies and commitments</b>		-	-

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

  
Chief Executive Officer

  
Director



## Income Statement For the year ended June 30, 2008

	Note	2008 (Rupees '000)	2007
<b>Income</b>			
Gain on sale of shares		104,774	84,354
Unrealized diminution on investments at fair value through profit or loss	7.1	(111,511)	(12,656)
Return on term finance certificates		4,442	627
Income from continuous funding system		245	-
Dividend income		25,558	10,806
Other income	12	11,995	13,120
		<u>35,503</u>	<u>96,251</u>
<b>Operating expenses</b>			
Administrative and general expenses	13	(4,616)	(2,982)
Remuneration of Investment Advisor	8	(17,799)	(14,436)
Impairment charge on investments	7.3.1	(3,317)	(5,543)
		<u>(25,732)</u>	<u>(22,961)</u>
		9,771	73,290
Financial charges		(14)	(19)
		<u>9,757</u>	<u>73,271</u>
<b>Income before tax</b>		<b>9,757</b>	<b>73,271</b>
Taxation	14	-	168
		<u>9,757</u>	<u>73,439</u>
<b>Income after tax</b>		<b>9,757</b>	<b>73,439</b>
<b>Earnings per share (Rupees)</b>			
	19		
With unrealized diminution on remeasurement of investments		0.11	0.82
Without unrealized diminution on remeasurement of investments		1.35	0.96

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

Chief Executive Officer

Director



## Distribution Statement For the year ended June 30, 2008

	2008	2007
	(Rupees '000)	
Unappropriated loss brought forward	(86,579)	(160,018)
Final dividend for the year ended June 30, 2007 Rs. 0.50 per share	(45,000)	-
Net income for the year	9,757	73,439
Unappropriated loss carried forward	<u>(121,822)</u>	<u>(86,579)</u>

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



Chief Executive Officer



Director



## Cash Flow Statement For the year ended June 30, 2008

	Note	2008	2007
		(Rupees '000)	
<b>Cash flows from operating activities</b>			
Income before tax		9,757	73,271
Adjustment for:			
- Unrealized diminution on remeasurement of investments at fair value through profit or loss		111,511	12,656
- Capital (gain) on sale of investments classified as 'available-for-sale'		(27,275)	(37,476)
- Impairment charge on investments classified as 'available-for-sale'		3,317	5,543
- Receivable written-off		-	11
- Dividend income		(25,558)	(10,806)
- Mark-up income		(16,294)	(13,869)
- Liabilities no longer required written back		(388)	-
- Remuneration of Investment Advisor		17,799	14,436
Profit before working capital changes		72,869	43,766
Effect on cash flow due to working capital changes:			
(Increase)/decrease in assets			
- Short term-investments		(183,528)	126,438
- Receivable against continuous funding system		(24,940)	-
- Receivable against sale of investments		7,267	(7,567)
- Prepayments and other receivable		-	24
(Decrease)/increase in accrued expenses and other liabilities		(21,064)	33,364
<b>Cash (used in) / generated from operations</b>		<b>(149,396)</b>	<b>196,025</b>
Dividend received		22,200	10,647
Mark up received		16,951	12,615
Remuneration of Investment Advisor		(30,742)	(12,176)
Dividend paid		(44,893)	-
Taxes paid		(205)	(1,736)
<b>Net cash (used in) / from operating activities</b>		<b>(186,085)</b>	<b>205,375</b>
<b>Cash flows from investing activities</b>			
Long-term security deposits		(3,500)	-
<b>Net cash used in investing activities</b>		<b>(3,500)</b>	<b>-</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>		<b>(189,585)</b>	<b>205,375</b>
Cash and cash equivalents at the beginning of the year		215,653	10,278
Cash and cash equivalents at the end of the year	5	26,068	215,653

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

  
Chief Executive Officer

  
Director

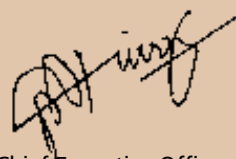


## Statement of Movement in Equity and Reserves - 'per share'

For the year ended June 30, 2008

	2008	2007
	(Rupees)	
Net assets per share at the beginning of the year	10.22	6.04
Dilution due to final dividend for the year ended June 30, 2007 Rs. 0.50 per share	(0.50)	-
Capital gain on sale of marketable securities	1.16	2.48
Unrealized diminution on remeasurement of investments at fair value through profit or loss	(1.24)	(0.14)
Other net operating income for the year	0.18	0.02
Net income for the year	0.10	2.36
Unrealized (diminution)/appreciation in the value of investments classified as 'available-for-sale'	(0.98)	1.82
<b>Net assets per share as at June 30</b>	<b>8.84</b>	<b>10.22</b>

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



Chief Executive Officer



Director





## Notes to and forming part of the Financial Statements

For the year ended June 30, 2008

### 1. Legal status and nature of business

Asian Stocks Fund Limited is a public limited Company incorporated in June 1994 under the Companies Ordinance, 1984 and has been registered with the Securities and Exchange Commission of Pakistan (SECP) as an Investment Company under the Investment Companies and Investment Advisors Rules, 1971 to carry on the business of a closed end investment Company. The Company commenced its business in July 1994 and is listed on Karachi, Lahore and Islamabad Stock Exchanges.

The Company primarily invests in shares of listed Companies.

JCR-VIS Credit Rating Company Limited has assessed the Company's performance 1 year ranking at 'MFR 4' Star and 2 year average ranking at 'MFR 2' Star for year ended December 31, 2007. Management quality rating to Asian Capital Management Limited has not yet been assessed pending the approval by SECP of the merger of Asian Capital Management Limited and Safeway Fund Limited.

The Company has an agreement with Asian Capital Management Limited (ACML) (an associated Company) to act as its Asset Management Company. Being an NBFC, the Investment Advisor is required to seek renewal of its license on an annual basis. On July 5, 2005 the SECP advised the Investment Advisor that:

"the Commission in its recent meeting has decided that one license will be issued in a Group to undertake any of the activities given in the NBFC Rules and Investment Advisory and Asset Management Services are categorized as one activity, therefore the plan to undertake the said activities by two separate entities namely Safeway Fund Limited and Asian Capital Management Limited is not in line with the policy of the Commission. It is therefore advised to consider merger of these companies into one Investment Advisory / Asset Management Company."

The Company in its extraordinary general meeting held on June 13, 2005 resolved that:

- "the Investment Advisory Contract with Asian Capital Management Limited dated August 17, 2004 entered for the period of ten years commencing from August 17, 2004 be and is hereby terminated with effect from July 1, 2005 with the mutual consent of both parties and subject to the approval of the SECP."
- "the Investment Advisory Contract with Safeway Fund Limited for a period of ten years commencing from July 1, 2005 be and is hereby approved subject to the approval of the SECP."

Approval for the above is pending subject to the completion of certain regulatory formalities. However, SECP has renewed the license of ACML to carry out the asset management services upto November 30, 2008 or its merger with SFL, whichever is earlier.

The Securities and exchange Commission of Pakistan (SECP) notified the Non-Banking Finance Companies and Notified Entities Regulations, 2007 during the year. As per clause 75 of these regulations a closed end fund shall upon expiry of 5 years from the date of promulgation of the NBFC Regulations hold a meeting of certificate holders to seek the approval of the certificate holders (by special resolution) to continue as a closed end fund or convert into an open end scheme or cancel the closed end scheme.

### 2. Statement of compliance

- 2.1 These financial statements have been prepared in accordance with the requirements of the Companies Ordinance, 1984, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2007 (the NBFC Regulations), directives issued by the SECP and the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case the requirements differ, the provisions or directives of the Companies Ordinance, 1984, the requirements of the NBFC Rules and the NBFC Regulations shall prevail.



## 2.2 Standards, Interpretations and amendments to published approved accounting standards that are effective in current year

Amendments to IAS 1 'Presentation of financial statements' - Capital Disclosure is mandatory for Company's accounting period beginning on or after January 01, 2007. Its adoption by the Company only impacts the nature and extent of disclosures presented in the financial statements.

## 2.3 Standards, Interpretations and amendments to published approved accounting standards that are not yet effective

The following standards, amendments and interpretations of approved accounting standards, effective for Company's accounting periods beginning from the dates specified below are either not relevant to the Company's operations or are not expected to have a significant impact on the Company's financial statements other than increased disclosures in certain cases:

IAS 1 - Presentation of Financial Statements (Revised September 2007)	effective from July 1, 2009
IAS 23 - Borrowing Costs (Revised March 2007)	effective from July 1, 2009
IAS 27 (Revised) - Consolidation and Separate Financial Statements	effective from July 1, 2009
IFRS 3 (Revised) - Business Combinations	effective from July 1, 2009
IFRS 7 - Financial Instruments: Disclosures	effective from July 1, 2008
IFRS 8 - Operating Segments	effective from July 1, 2009
IFRIC 12 - Service Concession Arrangements	effective from July 1, 2008
IFRIC 13 - Customer Loyalty Programmes	effective from July 1, 2008
IFRIC 14 - IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	effective from July 1, 2008
IFRIC 15 - Agreements for the Construction of Real Estate	effective from July 1, 2009
IFRIC 16 - Hedges of a Net Investment in a Foreign Operation	effective from July 1, 2009

## 3. Basis of measurement

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

### 3.2 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 recognized 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 7 of these financial statements.



## 4. Summary of significant accounting policies

### 4.1 Investments

#### 4.1.1 Recognition

All investments are initially recognized at cost, being the fair value of the consideration given and include transaction costs. The Investment Advisor determines the appropriate classification of the Company's investments in accordance with the requirements of IAS - 39: 'Financial Instruments: Recognition and Measurement', at the time of purchase and re-evaluates this classification on a regular basis into the following categories:

- Investments in equity instruments of associated undertakings
- Financial assets at fair value through profit or loss
- Available for sale

Investments intended to be held for less than twelve months from year end or to be sold to raise operating capital, are included in current assets, all other investments are classified as non-current. The Investment Advisor determines the appropriate classification of its investments at the time of the purchase and re-evaluates such designation on a regular basis.

All purchases and sales of securities that require delivery within the time frame established by regulation or market convention such as 'T+2', purchases and sales are recognized at the trade date. Trade date is the date on which the Company commits to purchase or sell the asset.

#### 4.1.2 Subsequent measurement

##### Investments in equity instruments of associated undertakings

Investments in associates where the Company has significant influence and that are not expected to be disposed of within twelve months from the year end are accounted for using the equity method.

##### Financial assets at fair value through profit or loss

These financial assets are classified as held for trading or are designated by the management at fair value through profit or loss at inception. Financial assets held for trading are those acquired principally for the purpose of selling in the near term. Financial assets designated at fair value through profit or loss at inception are those that are managed and their performance evaluated on a fair value basis in accordance with the Company's documented investment strategy.

Financial assets at fair value through profit or loss are initially recognized at fair value. Subsequent to initial recognition, all financial assets at fair value through profit or loss are measured at fair value. The fair value of financial instruments traded in active market is based on quoted market prices. Gains and losses arising from changes in the fair value of 'financial assets at fair value through profit or loss' category are presented in the income statement in the period in which they arise.

##### Available-for-sale

Investments intended to be held for an indefinite period of time which may be sold in response to needs for liquidity or changes in prices, are classified as 'available-for-sale'. Investments categorized as available for sale are initially recognized at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. Subsequent to initial recognition, 'available for sale' investments are measured at fair value. Net gains and losses arising on changes in fair values of these investments are taken to equity until the available for sale investment is derecognized. At this time, the cumulative gain or loss previously recognized directly in equity is transferred to the income statement.

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. If any such evidence exists for available for sale financial assets, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss, is removed from equity and recognized in the income statement. Impairment losses recognized in the income statement on equity instruments are not reversed through the income statement.



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

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

#### 4.3 Taxation

##### Current

Provision of 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 recognized for all taxable temporary differences and deferred tax assets are recognized 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 utilized.

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.

#### 4.4 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 recognized 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.

#### 4.5 Financial instruments

Financial assets and financial liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument and derecognized when the Company loses control of the contractual rights that comprise the financial assets and in the case of financial liabilities where the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on derecognition of the financial assets and financial liabilities is included in the income statement.

The financial instruments carried on the 'Statement of assets and liabilities' include cash and bank balances, investments, receivables, remuneration payable to Investment Advisor and accrued expenses and other liabilities. The particular measurement methods adopted are disclosed in the individual policy statements associated with each item.

#### 4.6 Offsetting of financial assets and liabilities

Financial assets and liabilities are offset and the net amount is reported in the financial statements only when



There is a legally enforceable right to set off the recognized amount and the Company intends either to settle on a net basis or to realize the assets and to settle the liabilities simultaneously.

#### 4.7 Derivative financial instruments

Derivative instruments held by the Company generally comprise of future and forward contracts in the capital market. These are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The fair value of the derivative contracts is calculated as being the net difference between the contract price and the closing price reported on the primary exchange of the capital market. Derivatives with positive market values (unrealized gains) are included in assets and derivatives with negative market values (unrealized losses) are included in liabilities in the statement of assets and liabilities. The resultant gains and losses are included in the income statement.

#### 4.8 Cash and cash equivalents

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

#### 4.9 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 recognized 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.

2008                      2007  
(Rupees '000)

### 5. Cash and bank balances

Balances at banks on:  
- Saving accounts

	2008	2007
	26,068	215,653
	<u>26,068</u>	<u>215,653</u>

The balances in saving account bear mark-up which ranges from 7% to 8.50% (2007: 7% to 9.50%) per annum.

### 6. Prepayments and other receivable

Prepayments  
Mark-up receivable

	2008	2007
	28	28
	646	1,303
	<u>674</u>	<u>1,331</u>

### 7. Short-term investments

Investments in marketable securities  
- At fair value through profit or loss  
- Available-for-sale

	2008	2007
- note 7.1	522,640	403,613
- note 7.2	226,104	337,263
	<u>748,744</u>	<u>740,876</u>

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

Name of the Investee Company	Number of shares				Balance as at June 30, 2008			Percentage in relation to				
	As at July 01, 2007	Purchases/adjustment during the year	Bonus/Rights	Sales/adjustments during the year	As at June 30, 2008	Cost	Carrying Cost	Market Value	Appreciation/(diminution)	Net Assets of the company (with market value of investments)	Paid-up capital of investee company (with face value of the investments)	Total carrying value of investments (with market value of investments)
Shares of listed companies - Fully paid ordinary shares of Rs. 10 each unless stated otherwise												
<b>Investment Companies and Banks</b>												
Crescent Standard Investment Bank Limited *	4,000,000	-	-	4,000,000	-	-	-	-	-	-	-	-
Javed Omer Vohra and Company Limited	-	10,000	-	10,000	-	-	-	-	-	-	-	-
Pakistan Industrial Credit and Investment Corporation Limited **	50,264	50,000	-	50,000	-	-	-	-	-	-	-	-
Arif Habib Securities Limited	-	765,000	-	815,264	-	-	-	-	-	-	-	-
Arif Habib Limited	-	28,600	3,720	32,320	-	-	-	-	-	-	-	-
JS Investment Limited	-	46,600	-	46,600	-	-	-	-	-	-	-	-
Pervez Ahmed Securities Limited	-	35,000	-	35,000	-	-	-	-	-	-	-	-
Escorts Investment Bank Limited	-	25,000	-	25,000	-	-	-	-	-	-	-	-
Innovative Housing Finance Limited *	-	20,000	-	-	20,000	-	-	-	-	0.02	-	-
Jahangir Siddiqui and Company Limited	-	41,900	-	7,500	34,400	22,812	22,812	18,237	(4,575)	2.29	0.02	2.44
Dawood Capital Management Limited	-	20,000	-	-	20,000	717	717	558	(159)	0.07	0.15	0.07
						23,529	23,529	18,795	(4,734)	2.36	0.19	2.51
<b>Textile Composite</b>												
Nishat Mills Limited	100,000	647,600	-	702,600	45,000	4,123	4,123	3,869	(254)	0.49	0.03	0.52
Nishat (Chunian) Limited	50,182	-	-	50,182	-	-	-	-	-	-	-	-
Kohinoor Textile Mills Limited	25,850	240,000	-	15,000	250,850	5,982	5,947	3,479	(2,468)	0.44	0.17	0.46
Dawood Lawrencepur Limited	-	10,000	-	10,000	-	-	-	-	-	-	-	-
Azgard Nine Limited	-	420,000	-	420,000	-	-	-	-	-	-	-	-
Kohinoor Industries Limited	-	10,500	525	-	11,025	161	161	59	(102)	0.01	0.04	0.01
						10,266	10,231	7,407	(2,824)	0.94	0.24	0.99
<b>Cement</b>												
D.G. Khan Cement Company Limited	-	755,000	-	465,000	290,000	28,104	28,104	19,471	(8,633)	2.45	0.11	2.60
Gharibwal Cement Limited	-	-	17,454	17,454	-	-	-	-	-	-	-	-
Lucky Cement Limited	-	890,600	-	853,100	37,500	4,184	4,184	3,672	(512)	0.46	0.01	0.49
Maple Leaf Cement Factory Limited	200	200,000	-	7,500	192,700	4,498	4,499	2,102	(2,397)	0.26	0.05	0.28
Pioneer Cement Limited	155	20,000	3,527	-	23,682	997	997	667	(330)	0.08	0.01	0.09
Kohat Cement Company Limited	10,000	-	-	10,000	-	-	-	-	-	-	-	-
Fauji Cement Company Limited	350,000	399,500	-	415,000	334,500	5,531	5,531	3,385	(2,146)	0.43	0.05	0.45
Fauji Cement Company Limited - Right	-	-	56,000	56,000	-	-	-	-	-	-	-	-
Pakistan Cement Company Limited	-	200,000	22,500	222,500	-	-	-	-	-	-	-	-
Attock Cement Pakistan Limited	-	53,500	-	53,500	-	-	-	-	-	-	-	-
Zeal Pak Cement Factory Limited	450,000	250,000	-	113,000	587,000	3,294	3,251	1,609	(1,642)	0.20	0.35	0.21
						46,608	46,566	30,906	(15,660)	3.88	0.58	4.12





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

Name of the Investee Company	Number of shares			Balance as at June 30, 2008			Percentage in relation to					
	As at July 01, 2007	Purchases/ adjustments during the year	Bonus/ Rights	Sales/ adjustments during the year	As at June 30, 2008	Cost	Carrying Cost	Market Value	Appreciation/ (diminution)	Net Assets of the company (with market value of investments)	Paid-up capital of investee company (with face value of the investments)	Total carrying value of investments (with market value of investments)
	(Rupees '000)											
Shares of listed companies- Fully paid ordinary shares of Rs. 10 each unless stated otherwise												
<b>Commercial Banks</b>												
The Bank of Punjab	994	610,000	37,647	395,900	252,741	17,135	17,135	7,868	(9,267)	0.99	0.05	1.05
MCB Bank Limited	25,000	99,300	-	124,300	-	-	-	-	-	-	-	-
Soneri Bank Limited	31,000	60,000	18,200	5,000	104,200	4,984	4,911	2,588	(2,323)	0.33	0.03	0.35
Askari Bank Limited	20,100	263,100	-	283,200	-	-	-	-	-	-	-	-
Prime Commercial Bank Limited	20,000	-	-	20,000	-	-	-	-	-	-	-	-
National Bank of Pakistan Limited	50,250	797,250	15,110	639,900	222,710	44,847	44,847	32,850	(11,997)	4.13	0.02	4.39
PICC Commercial Bank Limited **	-	125,000	-	125,000	-	-	-	-	-	-	-	-
Saudi Pak Commercial Bank Limited	50,000	100,000	-	150,000	-	-	-	-	-	-	-	-
Bank Afjalah Limited	-	545,000	-	365,000	180,000	9,169	9,169	7,391	(1,778)	0.93	0.02	0.99
United Bank Limited	-	320,400	-	202,400	118,000	16,244	16,244	10,041	(6,203)	1.26	0.01	1.34
Allied Bank Limited	-	109,000	6,000	65,000	50,000	6,111	6,111	4,264	(1,847)	0.54	0.01	0.57
Bank Islami Pakistan Limited	-	300,000	-	225,000	75,000	1,445	1,445	1,111	(334)	0.14	0.02	0.15
JS Bank Limited	-	460,000	-	460,000	-	-	-	-	-	-	-	-
Mybank Limited	-	50,000	18,750	68,750	-	-	-	-	-	-	-	-
Standard Chartered Bank Pakistan Limited	20,000	10,000	-	30,000	-	-	-	-	-	-	-	-
Bank Al Habib Limited	-	20,000	-	20,000	-	-	-	-	-	-	-	-
NIB Bank Limited **	-	1,074,800	-	909,500	165,300	3,238	3,238	1,879	(1,359)	0.24	0.01	0.25
KASB Bank Limited ***	-	1,250,600	-	1,250,600	-	-	-	-	-	-	-	-
NIB Bank Limited - Right	200,000	300,000	-	500,000	-	-	-	-	-	-	-	-
Habib Metropolitan Bank Limited	-	20,000	-	20,000	-	-	-	-	-	-	-	-
Atlas Bank Limited	-	100,000	-	100,000	-	-	-	-	-	-	-	-
Habib Bank Limited	-	195,100	-	195,100	-	-	-	-	-	-	-	-
Arif Habib Bank Limited	-	-	10,006	10,006	-	-	-	-	-	-	-	-
<b>Modarabas</b>												
First Fidelity Leasing Modaraba	200,000	-	-	60,000	140,000	835	1,043	699	(344)	0.09	0.53	0.09
Modaraba Al-Wali	50,000	-	-	-	50,000	401	450	246	(204)	0.03	0.27	0.03
B.R.R Guardian Modaraba	100,000	50,000	-	150,000	-	-	-	-	-	-	-	-
<b>Leasing Companies</b>												
Standard Chartered Leasing Limited	45,000	-	-	45,000	-	-	-	-	-	-	-	-
Saudi Pak Leasing Company Limited	100,000	-	5,000	105,000	-	-	-	-	-	-	-	-
<b>Insurance</b>												
Adanjee Insurance Company Limited	-	25,000	-	25,000	-	-	-	-	-	-	-	-
Premier Insurances Limited	-	-	-	-	-	-	-	-	-	-	-	-
(Ordinary shares of Rs. 5 each)	50,000	-	-	50,000	-	-	-	-	-	-	-	-
Beema Pakistan Company Limited	200,000	-	-	-	200,000	518	460	460	-	0.06	0.48	0.06
Shaheen Insurance Company Limited	27,100	2,300	-	29,400	-	-	-	-	-	-	-	-
Atlas Insurance Limited	27,300	55,000	1,500	83,800	-	-	-	-	-	-	-	-
Pakistan Reinsurance Company Limited	-	5,000	-	5,000	-	-	-	460	-	0.06	0.48	0.06

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

Name of the Investee Company	Number of shares				Balance as at June 30, 2008			Percentage in relation to				
	As at July 01, 2007	Purchases/ adjustments during the year	Bonus/ Rights	Sales/ adjustments during the year	As at June 30, 2008	Cost	Carrying Cost	Market Value	Appreciation/ (diminution)	Net Assets of the company (with market value of investments)	Paid-up capital of investee company (with face value of the investments)	Total carrying value of investments (with market value of investments)
Shares of listed companies- Fully paid ordinary shares of Rs. 10 each unless stated otherwise												
<b>Refinery</b>												
Boscor Pakistan Limited	145,000	375,000	-	380,000	140,000	2,420	2,420	1,876	(544)	0.24	0.04	0.25
National Refinery Limited	4,500	53,100	-	57,600	-	-	-	-	-	-	-	-
Attock Refinery Limited	-	295,000	-	277,500	17,500	4,361	4,361	4,373	12	0.55	0.02	0.58
						6,781	6,781	6,249	(532)	0.79	0.06	0.83
<b>Power Generation and Distribution</b>												
The Hub Power Company Limited	50,000	934,000	-	650,000	334,000	10,103	10,102	9,552	(550)	1.20	0.03	1.28
Karachi Electric Supply Corporation Limited	100,000	649,000	-	-	749,000	4,044	4,051	4,097	46	0.51	0.01	0.55
(Ordinary shares of Rs. 3.5 each)	50,000	-	-	50,000	-	-	-	-	-	-	-	-
Southern Electric Power Company Limited	50,000	-	-	50,000	-	-	-	-	-	-	-	-
Kot Addu Power Company Limited	-	170,700	-	170,700	-	-	-	-	-	-	-	-
Kohinoor Energy Limited	75,000	37,500	-	-	112,500	4,075	4,081	3,054	(1,027)	0.38	0.07	0.41
						18,222	18,234	16,703	(1,531)	2.09	0.11	2.24
<b>Jute</b>												
Thal Jute Limited	93,000	177,700	24,750	231,850	63,600	15,174	15,174	12,467	(2,707)	1.57	0.21	1.67
(Ordinary shares of Rs. 5 each)						15,174	15,174	12,467	(2,707)	1.57	0.21	1.67
<b>Synthetic &amp; Rayon</b>												
Ibrahim Fibres Limited	-	34,500	-	34,500	-	-	-	-	-	-	-	-
<b>Transport</b>												
Pakistan National Shipping Corporation Limited	10,000	56,100	-	56,100	10,000	861	861	716	(145)	0.09	0.01	0.10
Pakistan International Container Terminal Limited	-	108,700	10,000	118,700	-	-	-	-	-	-	-	-
						861	861	716	(145)	0.09	0.01	0.10
<b>Engineering</b>												
Sazgar Engineering Works Limited	-	51,900	3,490	55,390	-	-	-	-	-	-	-	-
<b>Oil and Gas Exploration Companies</b>												
Pakistan Oilfields Limited	95,000	477,900	-	557,900	15,000	5,619	5,619	5,473	(146)	0.69	0.01	0.73
Oil & Gas Development Company Limited	450,510	2,843,000	-	2,672,100	621,410	81,589	81,588	77,279	(4,309)	9.71	0.01	10.32
Pakistan Petroleum Limited	110,000	1,008,900	11,000	852,400	277,500	72,042	72,037	68,262	(3,775)	8.58	0.04	9.12
Mari Gas Company Limited	20,000	15,000	-	25,000	10,000	162,009	162,003	153,709	(8,294)	19.32	0.09	20.53





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

Name of the Investee Company	Number of shares			Balance as at June 30, 2008				Percentage in relation to				
	As at July 01, 2007	Purchases/ adjustments during the year	Bonus/ Rights	Sales/ adjustments during the year	As at June 30, 2008	Cost	Carrying Cost	Market Value	Appreciation/ (diminution)	Net Assets of the company (with market value of investments)	Paid-up capital of investee company (with face value of investments)	Total carrying value of investments (with market value of investments)
	(Rupees '000)											
Shares of listed companies- Fully paid ordinary shares of Rs. 10 each unless stated otherwise												
<b>Oil and Gas Marketing Companies</b>												
Pakistan State Oil Company Limited	30,000	379,500	-	364,200	45,300	21,341	21,341	18,901	(2,440)	2,37	0,03	2,52
Sui Northern Gas Pipelines Limited	156,200	143,800	-	-	300,000	21,313	20,972	13,071	(7,901)	1,64	0,05	1,75
Sui Southern Gas Company Limited	400,000	225,000	-	625,000	-	-	-	-	-	-	-	-
Shell Pakistan Limited	-	25,000	-	25,000	-	42,654	42,313	31,972	(10,341)	4,01	0,08	4,27
<b>Automobile Assembler</b>												
Pakistan Suzuki Motors Company Limited	12,000	130,400	-	27,400	115,000	26,603	26,603	13,776	(12,827)	1,73	0,14	1,84
Indus Motor Company Limited	10,000	17,600	-	27,600	-	-	-	-	-	-	-	-
Dewan Parooque Motors Limited	-	145,000	-	10,000	135,000	2,170	2,170	933	(1,237)	0,12	0,18	0,12
<b>Automobile Parts &amp; Accessories</b>												
Agriaautos Industries Limited	-	50,000	-	6,600	43,400	3,617	3,617	3,591	(26)	0,45	0,18	0,48
(Ordinary shares of Rs. 5 each)												
<b>Cable &amp; Electrical Goods</b>												
Pak Elektron Limited	-	35,000	-	35,000	-	-	-	-	-	-	-	-
<b>Sugar &amp; Allied Industries</b>												
Faran Sugar Mills Limited	-	57,000	-	3,500	53,500	1,066	1,066	892	(174)	0,11	0,25	0,12
<b>Leather &amp; Tanneries</b>												
Sevice Industries Limited	-	37,300	-	37,300	-	-	-	-	-	-	-	-
<b>Technology and Communication</b>												
Pakistan Telecommunication Company Limited	75,000	1,515,000	-	1,090,000	500,000	22,434	22,434	19,320	(3,114)	2,43	0,01	2,58
Telecard Limited	200,000	-	-	200,000	-	-	-	-	-	-	-	-
TRG Pakistan Limited	-	400,000	-	160,000	240,000	3,642	3,642	1,500	(2,142)	0,19	0,06	0,20
Callmate Telips Telecom Ltd	80,000	65,000	-	145,000	-	-	-	-	-	-	-	-
Worldcall Telecom Limited	-	250,000	-	57,500	192,500	3,729	3,729	2,795	(934)	0,35	0,02	0,37
Southern Networks Limited	-	50,000	-	-	50,000	489	489	293	(196)	0,04	0,10	0,04
<b>Pharmaceuticals</b>												
Abbott Laboratories Pakistan Limited	94,800	83,400	-	112,300	65,900	12,088	12,088	11,691	(397)	1,47	0,07	1,56
Highnoon Laboratories Limited	-	96,000	-	96,000	-	-	-	-	-	-	-	-
Searle Pakistan Limited	43,500	101,500	12,500	157,500	-	-	-	-	-	-	-	-
Glaxosmithkline Pakistan Limited	52,600	21,400	-	63,700	10,300	2,111	2,111	1,751	(360)	0,22	0,01	0,23

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

Name of the Investee Company	Number of shares				Balance as at June 30, 2008			Percentage in relation to				
	As at July 01, 2007	Purchases/ adjustments during the year	Bonus/ Rights	Sales/ adjustments during the year	As at June 30, 2008	Cost	Carrying Cost	Market Value	Appreciation/ (diminution)	Net Assets of the company (with market value of investments)	Paid-up capital of investee company (with face value of the investments)	Total carrying value of investments (with market value of investments)
Shares of listed companies- Fully paid ordinary shares of Rs. 10 each unless stated otherwise												
<b>Chemicals</b>												
ICI Pakistan Limited	-	119,600	-	76,400	43,200	8,211	8,211	6,971	(1,240)	0.88	0.03	0.93
Pakistan PTA Limited	200,000	-	-	200,000	-	-	-	-	-	-	-	-
Nimir Resins Limited	-	50,000	-	50,000	-	-	-	-	-	-	-	-
(Ordinary shares of Rs. 5 each)	50,000	10,000	-	60,000	-	-	-	-	-	-	-	-
BOC Pakistan Limited	-	55,000	-	4,500	50,500	3,423	3,423	2,743	(680)	0.34	0.09	0.37
Sitara Peroxide Limited	-	-	-	-	-	11,634	11,634	9,714	(1,920)	1.22	0.12	1.30
<b>Fertilizer</b>												
Fauji Fertilizer Company Limited	121,113	389,300	-	440,400	70,013	9,574	9,574	9,264	(310)	1.16	0.01	1.24
Engro Chemical Pakistan Limited	25,000	436,000	1,500	372,500	90,000	26,934	26,934	25,273	(1,661)	3.18	0.05	3.38
Fauji Fertilizer Bin Qasim Limited	-	1,130,500	-	560,000	570,500	23,955	23,955	20,521	(3,434)	2.58	0.06	2.74
						60,463	60,463	55,058	(5,405)	6.92	0.12	7.36
<b>Paper and Board</b>												
Packages Limited	-	61,300	-	45,800	15,500	4,019	4,019	3,904	(115)	0.49	0.02	0.52
						4,019	4,019	3,904	(115)	0.49	0.02	0.52
<b>Food &amp; Personal Care-products</b>												
Shakarganj Foods Limited	148,000	-	-	-	148,000	538	2,287	2,115	(172)	0.27	4.93	0.28
						538	2,287	2,115	(172)	0.27	4.93	0.28
<b>Miscellaneous</b>												
Siddiqsons Tin Plate Limited	50,000	-	-	50,000	-	-	-	-	-	-	-	-
Pace Pakistan Limited	-	40,000	-	40,000	-	-	-	-	-	-	-	-
ECOPACK Limited	75,000	-	-	75,000	-	-	-	-	-	-	-	-
Pakistan Services Limited	3,200	-	-	3,200	-	-	-	-	-	-	-	-
<b>Open End Mutual Fund</b>												
AKD Income Fund Limited	100,000	-	-	100,000	-	-	-	-	-	-	-	-
(certificates of Rs. 50 each)												
First Habib Income Fund	50,000	-	-	50,000	-	-	-	-	-	-	-	-
(certificates of Rs. 100 each)												
United Money Market Fund	21,180	-	2,135	23,315	-	-	-	-	-	-	-	-
(certificates of Rs. 5,000 each)												

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

Name of the Investee Company	Number of shares			Balance as at June 30, 2008			Percentage in relation to					
	As at July 01, 2007	Purchases/ adjustments during the year	Bonus/ Rights	Sales/ adjustments during the year	As at June 30, 2008	Cost	Carrying Cost	Market Value	Appreciation/ (diminution)	Net Assets of the company (with market value of investments)	Paid-up capital of investee company (with face value of the investments)	Total carrying value of investments (with market value of investments)
Shares of listed companies: Fully paid ordinary shares of Rs. 10 each unless stated otherwise												
<b>Bonds</b>												
Allied Bank Limited (term finance certificates of Rs. 5,000 each)	2,000	-	-	2,000	-	-	-	-	-	-	-	-
Maple Leaf Cement Factory Limited (SUKUK certificates of Rs. 5,000 each)	-	2,000	-	-	2,000	10,000	10,000	10,058	58	1.26	0.13	1.34
Pak Arab Fertilizers Limited (term finance certificates of Rs. 5,000 each)	-	862	-	-	862	4,310	4,310	4,303	(7)	0.54	0.09	0.57
Orix Leasing Pakistan Limited (term finance certificates of Rs. 5,000 each)	6,423	-	-	-	6,423	32,102	32,744	32,625	(119)	4.10	0.01	4.36
						46,412	47,054	46,986	(68)	5.90	0.23	6.27
<b>Total</b>	<b>9,512,421</b>	<b>25,496,112</b>	<b>281,314</b>	<b>26,786,831</b>	<b>8,503,016</b>	<b>632,046</b>	<b>634,151</b>	<b>522,640</b>	<b>(111,511)</b>			
<b>Total</b>	<b>11,078,526</b>	<b>22,212,984</b>	<b>275,237</b>	<b>24,054,326</b>	<b>9,512,421</b>	<b>440,221</b>	<b>416,269</b>	<b>403,613</b>	<b>(12,656)</b>			

(\*) Pursuant to the merger of Crescent Standard Investment Bank Limited (CSIBL) with Innovative Housing Finance Limited (IHFL), the Company received one share of IHFL for every two hundred shares held in CSIBL based on the scheme of amalgamation approved by the Securities and Exchange Commission of Pakistan. IHFL is an unlisted company, therefore its fair value cannot be ascertained reliably. IHFL has made an application for listing to Karachi Stock Exchange. Based on the prudence principle of accounting, the investment in shares of IHFL has been recorded at Nil value, being the carrying value of investment in CSIBL's shares at the time of derecognition.

(\*\*) Pakistan Industrial Credit and Investment Corporation Limited (PICIC) and PICIC Commercial Bank Limited (PICB) were merged with NIB Bank Limited (NIB) during the year. As a result of the merger, the Company received 254,300 shares of NIB, in aggregate, for 30,000 shares of PICIC and 70,000 shares of PICB.

(\*\*\*) International Housing Finance Limited (IHFL) was merged with KASB Bank Limited (KASBB) during the year. As a result of the merger, the Company received 1,250,600 shares of KASBB for 962,000 shares of IHFL.



## 7.2 Investments in marketable securities - 'available-for-sale'

Name of the Investee Company	Number of shares			Balance as at June 30, 2008			Percentage in relation to				
	As at July 01, 2007	Purchases/ adjustments during the year	Bonus/ Rights	Sales/ adjustments during the year	As at June 30, 2008	Cost	Market Value	Appreciation/ (diminution)	Net Assets of the company (with market value of investments)	Paid-up capital of investee company (with face value of investments)	Total carrying value of investments (with market value of investments)
Shares of listed companies- Fully paid ordinary shares of Rs. 10 each unless stated otherwise											
<b>Modarabas</b>											
Crescent Standard Modaraba	709,500	-	-	50,000	659,500	2,802	1,576	(1,226)	0.20	3.30	0.21
						2,802	1,576	(1,226)	0.20	3.30	0.21
<b>Leasing Companies</b>											
Universal Leasing Corporation Limited (*)	971,900	-	-	971,900	-	-	-	-	-	-	-
Al-Zamin Leasing Corporation Limited (*)	100,000	548,114	-	-	648,114	4,401	2,398	(2,003)	0.30	1.31	0.32
(Formerly: Crescent Leasing Corporation Limited)						4,401	2,398	(2,003)	0.30	1.31	0.32
<b>Investment Companies and Banks</b>											
Javed Omer Vohra and Company Limited	-	75,000	-	75,000	-	-	-	-	-	-	-
International Housing Finance Limited **	1,055,000	-	-	1,055,000	-	-	-	-	-	-	-
<b>Power Generation and Distribution</b>											
Altern Energy Limited	1,438,000	26,000	-	5,000	1,459,000	18,916	29,034	10,118	3.65	0.43	3.88
						18,916	29,034	10,118	3.65	0.43	3.88
<b>Textile Composite</b>											
Crescent Textile Mills Limited	1,300,100	186,200	130,070	193,800	1,422,570	51,034	83,249	32,215	10.46	2.89	11.12
						51,034	83,249	32,215	10.46	2.89	11.12
<b>RELATED PARTIES</b>											
<b>Commercial Banks</b>											
Crescent Commercial Bank Limited	700,382	251,500	-	452,500	499,382	9,067	5,268	(3,799)	0.66	0.06	0.70
						9,067	5,268	(3,799)	0.66	0.06	0.70
<b>Sugar &amp; Allied Products Limited</b>											
Shakarganj Mills Limited	1,700,000	159,500	352,900	35,000	2,177,400	72,087	41,632	(30,455)	5.23	3.13	5.56
Shakarganj Mills Limited (Preference Shares)	180,000	-	-	-	180,000	1,800	1,836	36	0.23	0.52	0.25
						73,887	43,468	(30,419)	5.46	3.65	5.81
<b>Engineering</b>											
Crescent Steel and Allied Products Limited	1,238,660	145,000	109,506	503,200	989,966	50,051	61,111	11,060	7.68	1.93	8.16
						50,051	61,111	11,060	7.68	1.93	8.16
<b>Total</b>	<b>9,393,542</b>	<b>1,391,314</b>	<b>592,476</b>	<b>3,341,400</b>	<b>8,035,932</b>	<b>210,158</b>	<b>226,104</b>	<b>15,946</b>			
<b>Total</b>	<b>27,961,749</b>	<b>4,179,000</b>	<b>309,330</b>	<b>23,056,537</b>	<b>9,393,542</b>	<b>236,904</b>	<b>337,263</b>	<b>100,359</b>			

(\*) Universal Leasing Corporation Limited (ULCL) was merged with Crescent Leasing Corporation Limited (CLCL), now Al-Zamin Leasing Corporation Limited (AZLCL), during the year. Based on this scheme of merger, shareholders of ULCL will receive one share of CLCL for every 2.44 shares held in ULCL. As a result of the merger, the Company received 398,114 shares of AZLCL for 971,400 shares of ULCL.

(\*\*) International Housing Finance Limited (IHFL) was merged with KASB Bank Limited (KASBB) during the year. As a result of the merger, the Company received 1,250,600 shares of KASBB for 962,000 shares of IHFL.



		2008	2007
		(Rupees '000)	
<b>7.3 Net unrealized appreciation in the value of investments classified as 'available-for-sale'</b>			
Market value	- note 7.2	226,104	337,263
Less: cost	- note 7.2	(210,158)	(236,904)
		<u>15,946</u>	<u>100,359</u>
Add: impairment charge recognized in income statement	- note 7.3.1	1,849	5,543
		<u>17,795</u>	<u>105,902</u>
<b>7.3.1 Impairment charge</b>			
Opening balance		5,543	-
Add: impairment charge recognized during the year		3,317	10,531
Less: sales of investments		(7,011)	(4,988)
Closing balance		<u>1,849</u>	<u>5,543</u>

## 8. Remuneration payable to Investment Advisor

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

		2008	2007
		(Rupees '000)	
<b>9. Accrued expenses and other liabilities</b>			
Payable to brokers		4	33,200
Payable to National Clearing Company of Pakistan Limited against purchase of investments		11,403	-
Fee payable to Securities and Commission of Pakistan		1,143	722
Custodian fee and settlement charges payable		106	178
Audit fee payable		342	360
Dividend payable		278	171
Other liabilities		114	104
		<u>13,390</u>	<u>34,735</u>

## 10. Issued, subscribed and paid-up capital

2008	2007		2008	2007
(Number of shares)			(Rupees '000)	
90,000,000	90,000,000	Ordinary shares of Rs. 10 each fully paid in cash	900,000	900,000

The shareholding of associated undertakings of the Company are as follows:

	(Number of shares)	
Asian Capital Management Limited (management company of Asian Stocks Fund Limited)	9,222,500	9,000,000
Crescent Commercial Bank Limited	26,808,938	26,808,938
Crescent Steel and Allied Products Limited	9,060,000	6,435,000
Shakarganj Mills Limited	37,528,673	18,716,500
	<u>82,620,111</u>	<u>60,960,438</u>



### 10.1 Pattern of shareholding as at June 30, 2008:

	Number of shareholders	Shares held	Percentage
Individuals	745	3,998,388	4.44%
Associated companies / Directors	4	55,991,433	62.21%
Banks / DFIs	1	26,808,938	29.79%
Retirement funds	3	1,891,118	2.10%
Others	21	1,310,123	1.46%
	<u>774</u>	<u>90,000,000</u>	<u>100%</u>

### 11. Reserves

	Capital reserve	Revenue reserve	Gain/(Loss) on remeasurement of investments classified as available- for-sale	Un- appropriated loss	Total 2008	Total 2007
				(Rupees '000)		
Balance as at June 30, 2007	105,902	(86,579)		19,323		(356,732)
Net income for the year	-	9,757		9,757		73,439
(Gain)/Loss on derecognition of investments transferred to return on investments	(27,145)	-		(27,145)		138,771
(Loss)/Gain on remeasurement of investments classified as 'available-for-sale'	(60,962)	-		(60,962)		158,302
Impairment charge on investments classified as 'available-for-sale'	-	-		-		5,543
Final dividend for the year ended June 30, 2007 Rs 0.50 per share	-	(45,000)		(45,000)		-
Balance as at June 30, 2008	<u>17,795</u>	<u>(121,822)</u>		<u>(104,027)</u>		<u>19,323</u>

### 12. Other income

	2008	2007
	(Rupees '000)	
Profit on bank deposits	11,596	12,998
Liabilities no longer required written back	388	-
Others	11	122
	<u>11,995</u>	<u>13,120</u>

### 13. Administrative and general expenses

	2008	2007
Annual fee - Securities and Exchange Commission of Pakistan	1,143	722
Settlement and custody charges	1,584	1,280
Professional fee and subscription	340	289
Auditors' remuneration - note 13.1	538	497
Receivable written-off	-	11
Others	1,011	183
	<u>4,616</u>	<u>2,982</u>



	2008	2007
	(Rupees '000)	
<b>13.1. Auditors' remuneration</b>		
Statutory audit	300	275
Half-yearly review	165	150
Certification and other services	25	32
Out-of-pocket expenses	48	40
	<u>538</u>	<u>497</u>

#### 14. Provision for taxation

Current		
- for the year	-	-
- prior years	-	(168)
	<u>-</u>	<u>(168)</u>

The management is of the view that it will continue availing the 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 year as reduced by capital gains, whether realized or unrealized. Accordingly, no current tax liability for the year has been recognised in these financial statements.

The management is of the view that it will continue availing the above exemption in future years and deductible temporary differences will not reverse for some considerable period. Consequently, based on the prudence principle, deferred tax asset to the extent of Rs. 1.521 million (2007: Rs. 3.502 million) has not been recognized in these financial statements.

The Company is also exempt from the provision of section 113 (minimum tax) under clause 11 of Part IV of the Second Schedule to the Income Tax Ordinance, 2001.

#### 15. List of top ten brokers by percentage of commission paid

	2008 ( Percentage)
First National Equities Limited	31.17
Invest Capital and Securities (Pvt.) Limited	19.93
Adam Haji Mohammad Securities (Pvt.) Limited	18.50
AL Habib Capital Markets (Pvt.) Limited	10.11
Taurus Securities Limited	4.33
Ace Securities (Pvt.) Limited	3.39
WE Financial Services Limited	3.32
Elixir Securities Pakistan	2.74
AKD Securities Limited	2.38
JS Global Capital Limited	2.18

Comparative figures have not been presented as the information is not available with the Company.



## 16. Financial instruments and related disclosures

The Company's Market Rate of Return (MROR) sensitivity related to financial assets and financial liabilities as at June 30, 2008 can be determined from the following:

	Exposed to MROR risk as at June 30, 2008				Total
	Upto three months	More than three months and upto one year	More than one year	Not exposed to MROR risk	
	(Rupees '000)				
<b>On-balance sheet financial instruments</b>					
<b>Financial assets</b>					
Cash and bank balances	26,068	-	-	-	26,068
Short-term investments	46,986	-	-	701,758	748,744
Receivable against continuous funding system	24,940	-	-	-	24,940
Receivable against sale of investments	-	-	-	1,310	1,310
Dividend receivable	-	-	-	4,412	4,412
Prepayments and other receivable - Mark-up-receivable	-	-	-	646	646
Long-term deposits	-	-	-	3,575	3,575
	97,994	-	-	711,701	809,695
<b>Financial liabilities</b>					
Remuneration payable to Investment Advisor	-	-	-	1,493	1,493
Accrued expenses and other liabilities	-	-	-	13,390	13,390
	-	-	-	14,883	14,883
<b>On-balance sheet gap</b>	97,994	-	-	696,818	794,812
<b>Off-balance sheet financial instruments</b>	-	-	-	-	-
<b>Off-balance sheet gap</b>	-	-	-	-	-
<b>Total MROR sensitivity gap</b>	97,994	-	-	-	-
<b>Cumulative MROR sensitivity gap</b>	97,994	97,994	97,994	-	-
<b>Exposed to MROR risk as at June 30, 2007</b>					
	Upto three months	More than three months and upto one year	More than one year	Not exposed to MROR risk	Total
	(Rupees '000)				
<b>On-balance sheet financial instruments</b>					
<b>Financial assets</b>					
Cash and bank balances	215,653	-	-	-	215,653
Short-term investments	43,668	-	-	697,208	740,876
Receivable against continuous funding system	-	-	-	-	-
Receivable against sale of investments	-	-	-	8,577	8,577
Dividend receivable	-	-	-	1,054	1,054
Prepayments and other receivable - Mark up receivable	-	-	-	1,303	1,303
Long-term deposits	-	-	-	75	75
	259,321	-	-	708,217	967,538
<b>Financial liabilities</b>					
Remuneration payable to Investment Advisor	-	-	-	14,436	14,436
Accrued expenses and other liabilities	-	-	-	34,735	34,735
	-	-	-	49,171	49,171
<b>On-balance sheet gap</b>	259,321	-	-	659,046	918,367
<b>Off-balance sheet financial instruments</b>	-	-	-	-	-
<b>Off-balance sheet gap</b>	-	-	-	-	-
<b>Total MROR sensitivity gap</b>	259,321	-	-	-	-
<b>Cumulative MROR sensitivity gap</b>	259,321	259,321	259,321	-	-

The rate of return on financial instruments are as follows:

	2008	2007
	Percentage per annum	
Cash and Bank Balances	7% - 8.50%	7% - 9.50%
Short-term investments	11.65% - 12.01%	12.49%
Receivable against continuous funding system	15% - 21%	-





## 16.1 Financial risk management

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

### (a) Market risk

Market risk is the risk that the value of the financial instrument may fluctuate as a result of market interest rates or the market price of securities due to a change in credit rating of the issuer, speculative activities, supply and demand of securities and liquidity in the market.

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

### (b) Credit risk

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

All investing transactions are settled through National Clearing Company of Pakistan Limited, as result the risk of default is considered minimal.

The Company enters into transactions with diverse credit worthy counter parties thereby mitigating any significant concentration of credit risk.

### (c) Liquidity risk

Liquidity risk is the risk that the Company may encounter difficulty in raising funds to meet its obligations and commitments. The Investment Advisor manages this by maintaining maturities of financial assets and financial liabilities and investing a major portion of the Company's assets in highly liquid financial assets.

### (d) Yield / Interest rate risk

Yield risk is the risk of decline in earnings due to adverse movements of the yield curve. Interest rate risk is the risk that the value of the financial instruments will fluctuate due to changes in the market interest rates. Sensitivity to interest / mark-up rate risk arises from mismatches or gaps in the amounts of interest/mark-up based assets and liabilities that mature or reprice in a given period. The Company is not exposed to significant yield/interest rate risk as there are no material interest bearing financial assets and financial liabilities.

### (e) Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and to maintain a strong capital base to meet unexpected losses or opportunities. Currently the operations of the Company are financed through equity. In order to maintain or adjust the capital structure, the Company may adjust dividend paid to shareholders or issue new shares.

## 16.2 Fair value of financial assets and liabilities

Investments categorized as 'fair value through profit or loss' and 'available-for-sale' are carried on the statement of assets and liabilities at their fair value. The Investment Advisor is of the view that the fair market value of most of the remaining financial assets and financial liabilities are not significantly different from their carrying values since these are essentially short-term in nature.

## 17. Attendance at meetings of Board of Directors

The Board of Directors of the Company met on July 27, 2007, October 30, 2007, February 01, 2008 and April 22, 2008 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. Latif Khawar	4	4	-
Mr. Asif Haider Mirza	4	4	-
Mr. Muhammad Naeem Baig **	2	2	-
Ms. Tehmeena Anis Khan	4	3	1
Mr. Mohammad Younus Chaudhry **	2	2	-
Mr. Muhammad Arshad **	2	2	-
Mr. Intisar M. Usmani **	2	1	1
Mr. Pervez Akhtar	2	2	-
Mr. Abdul Rauf	2	2	-
Mr. Asif Ali	2	2	-
Mr. Muhammad Naguib	2	1	1

\* Being the number of meetings the Director was eligible to attend.

\*\* The term of these directors expired on December 27, 2007.



## 18. Maturities of assets and liabilities

	As at June 30, 2008			
	Total	Upto three months	More than three months and upto one year	More than one year
	(Rupees '000)			
<b>Assets</b>				
Cash and bank balances	26,068	26,068	-	-
Short-term investments	748,744	748,744	-	-
Receivable against continuous funding system	24,940	24,940	-	-
Receivable against sale of investments	1,310	1,310	-	-
Dividend receivable	4,412	4,412	-	-
Income tax refundable	1,133	-	1,133	-
Prepayments and other receivable	674	674	-	-
Long-term deposits	3,575	-	-	3,575
	810,856	806,148	1,133	3,575
<b>Liabilities</b>				
Remuneration payable to Investment Advisor	1,493	1,493	-	-
Accrued expenses and other liabilities	13,390	13,390	-	-
	14,883	14,883	-	-
<b>Net assets</b>	<b>795,973</b>	<b>791,265</b>	<b>1,133</b>	<b>3,575</b>
	As at June 30, 2007			
	Total	Upto three months	More than three months and upto one year	More than one year
	(Rupees '000)			
<b>Assets</b>				
Cash and bank balances	215,653	215,653	-	-
Short-term investments	740,876	740,876	-	-
Receivable against continuous of investments	-	-	-	-
Receivable against sale of investments	8,577	8,577	-	-
Dividend receivable	1,054	1,054	-	-
Income tax refundable	928	-	928	-
Prepayments and other receivable	1,331	1,331	-	-
Long-term deposits	75	-	-	75
	968,494	967,491	928	75
<b>Liabilities</b>				
Remuneration payable to Investment Advisor	14,436	14,436	-	-
Accrued expenses and other liabilities	34,735	34,735	-	-
	49,171	49,171	-	-
<b>Net assets</b>	<b>919,323</b>	<b>918,320</b>	<b>928</b>	<b>75</b>



2008                      2007  
(Rupees '000)

## 19. Earnings per share

### 19.1 Basic earnings per share

Net income for the year (with unrealized diminution)	9,757	73,439
Net income for the year (without unrealized diminution)	121,268	86,095
Weighted average number of ordinary shares outstanding during the year	90,000	90,000
Earnings per share (with unrealized diminution)	0.11	0.82
Earnings per share (without unrealized diminution)	1.35	0.96

### 19.2 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, 2008 and June 30, 2007 which would have any effect on the earnings per share if the option to convert is exercised.

## 20. Transactions with connected persons

2008                      2007  
(Rupees '000)

<b>Asian Capital Management Limited</b>		
Remuneration to Investment Advisor	17,799	14,436
Fee payable to Investment Advisor	1,493	14,436
<b>Dividend paid</b>		
Shakarganj Mills Limited	18,764	-
Crescent Steel & Allied Products Limited	4,530	-
Crescent Commercial Bank Limited	13,404	-
Safeway Fund Limited	90	-
Asian Capital Management Limited	4,500	-
Crescent Leasing Corporation Limited	293	-
<b>Dividend income</b>		
Shakarganj Mills Limited	1,765	153
Crescent Steel & Allied Products Limited	4,040	1,115

## 21. Date of authorization for issue and events after the balance sheet date

- 21.1 These financial statements have been authorized for issue on September 1, 2008 by the Board of Directors of the Company.
- 21.2 The Board of Directors have approved a final dividend for the year ended June 30, 2008 of Rs. 0.10 (2007: Rs. 0.50) per share, amounting to Rs. 9 million (2007: Rs. 45 million) at their meeting held on September 1, 2008 for approval of the members at the Annual General Meeting to be held on October 28, 2008.

## 22. Corresponding figures

Corresponding figures have been re-arranged and reclassified, where ever necessary, for the purpose of comparison. Significant re-arrangements made are as follows:

(Rupees '000)

Security deposits shown under advances, deposits and prepayments has now been shown separately on the Statement of Assets and Liabilities as long-term deposits.	75
Gain on sale of shares shown under return on investments has now been shown separately on the Income Statement.	84,354
Unrealized diminution on investments at fair value through profit or loss shown under return on investments has now been shown separately on the Income Statement.	12,656
Return on term finance certificates shown under return on investments has now been shown separately on the Income Statement.	627
Dividend income shown under return on investments has now been shown separately on the Income Statement.	10,806

The above figures have been re-arranged as the reclassification made is considered more appropriate for the purpose of presentation.

Chief Executive Officer

Director



## Performance Table

	2008	2007	2006	2005	2004	2003	2002
Beginning net assets (Rs. 000)	919,323	543,268	833,112	159,532	58,376	35,078	38,270
Beginning NAV (Rs.) (Ex Div)	9.72	6.04	9.26	15.95	5.84	3.51	3.83
Ending net assets (Rs. 000)	795,973	919,323	543,268	833,112	159,532	58,376	35,078
Ending NAV (Rs.)	8.84	10.22	6.04	9.26	15.95	5.84	3.51
Profit / (Loss) after tax (Rs. 000)	9,757	73,439	(101,657)	(19,892)	3,155	23,298	(3,192)
Earning per share (Rs.)	0.11	0.82	(1.13)	(0.30)	0.41	2.33	(0.32)
Cash Distribution (Rs.)							
- interim	-	-	-	-	-	-	-
- final	0.1	0.5	-	-	-	-	-
Bonus Distribution - Final	-	-	-	-	-	-	-
Distribution dates - Final	AGM on 28-Oct-2008 31-Aug-07						
Income Distribution	1.03%	8.28%	-				
Capital Growth	-8.02%	77.48%	-34.77%				
Total Return	-9.05%	69.21%	-34.77%				
Average annualized return of the Fund (CAGR) (%)							
One Year	-9.05%						
Two Years	24.35%						
Three Years	0.29%						

**Disclaimer:**

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



## Statement of Income and Expenditure in Relation to the Investment Advisor

For the year ended June 30, 2008

	June 30, 2008	June 30, 2007
	(Rupees)	
Revenue□	17,798,512□	14,435,202
Operating and other expenses□	(10,978,524)□	(5,860,323)□
	6,819,988□	8,574,879
Un-realized gain on held-for-trading investments□	1,033,825□	12,300,000
Other income□	9,845,682□	112,163
Operating profit□	17,699,495□	20,987,042
Financial charges□	(4,154)□	(6,223)
Profit before taxation□	17,695,341□	20,980,819
Other receivable written-off□	- □	6,436,585
Provision there-against□	- □	(6,436,585)□
	- □	-
Taxation□	(3,492,668)□	(2,677,265)
<b>Profit after taxation□</b>	<b>14,202,673□</b>	<b>18,303,554</b>

# 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 Annual General Meeting of the Company  
to be held on October 28, 2008 or at any adjournment thereof.

Signed this \_\_\_\_\_ of \_\_\_\_\_ 2008. \_\_\_\_\_  
(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:

- (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 a notarially certified copy of that power of attorney or authority 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 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 National Identity Cards.
- (vi)  The Share transfer books of the Company will remain closed from October 21, 2008 to October 28, 2008 (both days inclusive). Physical transfers and CDC Transaction IDs received in order at the Registered Office of the Company up to the close of business on October 20, 2008 will be considered as on time for the determination of entitlement of shareholders and to attend and vote at the meeting.
- (vii)  Members are required to immediately notify regarding any changes in their registered address.

Affix  
Correct  
Postage

**The Company Secretary  
Asian Stocks Fund Limited  
6th Floor, Standard Tower,  
10-B, Block E-2, Gulberg III  
Lahore, Pakistan.**



**ASIAN**  
STOCKS FUND LIMITED

**Registered Office:** Standard Tower, 10-B, Block E-2, Gulberg-III, Lahore, Pakistan.

Ph: 042-5783827-29 | Fax: 042-5875916 | [www.safewayfund.com](http://www.safewayfund.com)