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Proxy Form

GENERAL INFORMATION

Name of Company

Asian Stocks Fund Limited

Legal Status

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

Website and Email address

www.safewayfund.com
info@safewayfund.com

Company Registration number

0032734

National Tax Number

0709734-4

Asset Manager

Safeway Fund Limited

Custodian

Central Depository Company
of Pakistan Limited

Internal Auditors

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

External Auditors

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

CFO & Company Secretary

Ms. Tehmeena Khan

Email: tehmeena.khan@safewayfund.com

Share Registrar

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

Phone: 042 - 35788097-98

Fax: 042 - 35755215

Bankers

Bank Al Falah Limited

Soneri Bank Limited

Legal Advisors

Ahmed & Qazi Advocates & Legal Consultants

Credit Rating Agency

JCR-VIS Credit Rating Company

Registered Office

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

Karachi Office

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

BOARD OF DIRECTORS AND THEIR SUB COMMITTEES

Board of Directors

Mr. Pervez Akhtar	Chairman
Mr. Nihal Cassim	Chief Executive Officer
Mr. Abdul Rauf	Director
Mr. Ali Altaf Saleem	Director
Mr. Asif Ali	Director
Mr. Muhammad Naguib Saigal	Director
Mr. Syed Ghausuddin Saif	Director

Audit Committee

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

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

Investment Committee

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

Mr. Nihal Cassim	Chief Executive Officer
Ms. Tehmeena Khan	Chief Financial Officer
Mr. Mohammed Turab Hasny	Financial Accountant of the AMC
Mr. Mahmood Riaz	Research Analyst

Management Committee

The Management Committee's mandate is to:

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

Mr. Pervez Akhtar	Chairman
Mr. Nihal Cassim	Chief Executive Officer

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 17th 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 10-B, Block E-2, Gulberg III, Lahore will be held at 10:30 am on 24th October, 2011 at 9th Floor, BOP Tower, 10-B, Block E-2, Gulberg III, Lahore to transact the following business:

ORDINARY BUSINESS

- 1) To receive, consider and adopt the Audited Accounts together with the Directors' and Auditors' reports thereon for the year ended June 30, 2011.
- 2) To consider and approve a final cash dividend of 6.6% equal to Rs. 0.66 per share for the year ended June 30, 2011 as recommended by the Board of Directors.
- 3) To appoint auditors of the Company and fix their remuneration for the financial year ending June 30, 2012.

Registered Office

10th Floor, 10-B, Block E-2
Gulberg III
Lahore
September 23, 2011

By Order of the Board



Tehmeena Khan
Company Secretary

NOTES:

- (i) All members are entitled to attend and vote at the Meeting.
- (ii) A member entitled to attend and vote at this meeting may appoint another member as his/her proxy to attend and vote.
- (iii) The instrument of proxy and the power of attorney or other commission (if any) under which it is signed, or notarially certified copy of that power of attorney or authority to be effective must be deposited at the Registered Office of the company not less than 48 hours before the time for holding the Meeting.
- (iv) Members are advised to bring their Computerized National Identity Cards along with CDC Participant ID and account number at the meeting venue.
- (v) If any proxies are granted by any such shareholders, the same must be accompanied with attested copies of the National Identify Cards of the grantors and the signatures on the proxy form should be the same as that appearing on the Computerized National Identity Cards.
- (vi) The Share transfer books of the Company will remain closed from October 17, 2011 to October 24, 2011 (both days inclusive). Physical transfers and CDC Transaction IDs received in order at the at the Registered Office of the Company up to the close of business on October 15, 2011 will be considered as on time for the determination of entitlement of shareholder to attend and vote at the meeting.
- (vii) Members are required to immediately notify regarding any changes in their registered address.

PATTERN OF SHAREHOLDING

Pattern of Holding of the Shares held by the shareholders as at June 30, 2011 is as follows:

No. of Shareholders	Shareholding		Total Shares held
	From	To	
111	1	100	8,010
536	101	500	266,395
55	501	1,000	54,203
47	1,001	5,000	128,637
5	5,001	10,000	41,379
2	10,001	15,000	25,000
2	15,001	20,000	37,500
1	30,001	35,000	32,824
1	35,001	40,000	35,953
1	40,001	45,000	40,500
1	85,001	90,000	85,962
1	95,001	100,000	100,000
1	115,001	120,000	118,004
1	170,001	175,000	173,705
1	340,001	345,000	344,813
1	430,001	435,000	431,358
1	585,001	590,000	585,924
1	1,080,001	1,085,000	1,081,000
1	1,130,001	1,135,000	1,131,330
1	1,370,001	1,375,000	1,373,798
1	9,055,001	9,060,000	9,060,000
1	9,735,001	9,740,000	9,738,611
1	12,760,001	12,765,000	12,760,938
1	16,245,001	16,250,000	16,245,673
1	18,035,001	18,040,000	18,039,500
1	18,055,001	18,060,000	18,058,983
<u>777</u>			<u>90,000,000</u>

CATEGORIES OF SHAREHOLDERS AS AT JUNE 30, 2011

Categories of Shareholder	Shares Held	% age
Directors, Chief Executive Officer, Their Spouse and Children		
Mr. Abdul Rauf	500	0.00
Mr. Ali Altaf Saleem	500	0.00
Mr. Asif Ali	500	0.00
Mr. Muhammad Naguib Saigal	500	0.00
Mr. Pervez Akhtar	500	0.00
Mr. Syed Ghausuddin Saif	503	0.00
	3,003	0.00
Associated Companies, Undertakings & Related Parties		
Crescent Steel And Allied Products Ltd.	9,060,000	10.07
Safeway Fund Limited	22,499,549	25.00
Shakarganj Mills Limited	16,245,673	18.05
	47,805,222	53.12
NIT & ICP		
Industrial Development Bank of Pakistan	3,500	0.00
National Investment Trust Limited	8,879	0.01
NBP Trustee Department - NI(U)T Fund	344,813	0.38
	357,192	0.40
Banks, DFIs, NBFIs		
Banks, DFIs, NBFIs	212,229	0.24
	212,229	0.24
Modaraba and Mutual Funds		
Modaraba and Mutual Funds	100	0.00
	100	0.00
Other Companies		
Other Companies	2,495,407	2.77
	2,495,407	2.77
General Public		
Local	39,126,847	43.47
	39,126,847	43.47
	90,000,000	100.00
Shareholders holding more than 10.00%		
Safeway Fund Limited	22,499,549	25.00
Crescent Steel And Allied Products Limited	9,060,000	10.07
Shakarganj Mills Limited	16,245,673	18.05
Durain F. Cassim	18,039,500	20.04
Firozuddin A. Cassim	18,058,983	20.07

STATEMENT OF GOVERNANCE, ETHICS AND BUSINESS PRACTICES

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

Shareholders

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

Employees

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

Mutual Fund Industry

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

Business Partners

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

Society

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

Brokers

- . To give equal preference to all brokers and to select and conduct business with brokers on the basis of reputation, beneficial services and competitive rates.

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

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

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

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

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

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- 12 The financial statements of the Company were duly endorsed by the Chief Executive Officer and Chief Financial Officer before approval of the Board.
- 13 The Directors, Chief Executive and Executives do not hold any interest in the shares of the Company except to the extent of nominal shareholding required by the Memorandum and Articles of Association.
- 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 including the Chairman of the Audit Committee.
- 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 outsourced the internal audit function to Mssrs. Riaz Ahmed and Company Chartered Accountants who are considered suitably qualified and experienced for the purpose and are conversant with the polices and procedures of the Company.
- 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.



NIHAL CASSIM
Chief Executive Officer

Karachi, September 23, 2011

DIRECTORS' REPORT

The Board of Directors of Asian Stocks Fund Limited is pleased to present the Annual Report for 2011 together with the audited financial statements for the year ended June 30, 2011.

Role of the Asset Manager

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

Financial and Operating Performance

The KSE - 100 Index began the fiscal year 2011 at 9,721.91 points, and closed at 12,496.03 points, an increase of 28.53%. The Fund's NAV registered an increase of 14.35% to close at Rs. 7.17 per share as on June 30, 2011. The performance of your Fund is shown below:-

	2011	2010
	(Rupees in thousand)	
Income		
Net Capital gain on sale of investments	42,745	116,881
Net Unrealized appreciation / (diminution) on investments at fair value through profit and loss	19,065	(42,429)
Return on treasury bills / sukuk certificate	5,393	389
Dividend Income	26,510	15,503
Other income	7,299	11,100
	<u>101,012</u>	<u>101,444</u>
Operating expenses	<u>(16,704)</u>	<u>(20,354)</u>
Income before taxation	84,308	81,090
Taxation	-	-
Income after taxation	<u>84,308</u>	<u>81,090</u>
Earnings per share (Rupees)		
With unrealized appreciation on remeasurement of investments	0.94	0.90
Without unrealized appreciation on remeasurement of investments	0.73	1.37

EPS of the Fund rose from Rs. 0.90 in the prior year to Rs.0.94 in the current year. The EPS excluding the impact of the unrealized diminution of the investment portfolio at year end was Rs. 0.73 compared to Rs. 1.37 in the previous year. The Fund's share price witnessed a high of Rs. 5.80 on August 10, 2010 and a low of Rs. 2.50 on November 15, 2010.

Modified Opinion

As more fully explained in note 10 to the financial statements, through the Finance Act, 2008 an amendment was made in section 2 (f) of the Workers' Welfare Fund Ordinance, 1971 (the WWF Ordinance) whereby the definition of 'Industrial Establishment' has been made applicable to any establishment to which West Pakistan Shops and Establishment Ordinance, 1969 applies. As a result of this amendment, all Collective Investment Schemes (CISs) have been brought within the purview of the WWF Ordinance, thus rendering them liable to pay contribution to WWF at the rate of 2 percent of their accounting or taxable income, whichever is high.

ASIAN STOCKS FUND LIMITED ANNUAL REPORT 2011

Management, based on legal advice and a clarification issued by the Ministry of Labor and Manpower, is of a firm view that the Fund is not an establishment and therefore WWF is not applicable to the Fund. Had the required provision been made, the Fund's net income and comprehensive income would be lower by Rs. 1.69 million. The Fund's net asset value would be lower by Rs. 3.33 million.

Dividend

The Directors have recommended a cash distribution of 6.60 % for the year, amounting to Rs. 0.66 per share.

Key Operating Financial Data and Performance Table

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

Election of Directors

On December 27, 2010, an EOGM was held for the election of directors for a tenure of three years. The newly elected directors re-appointed Mr. Nihal Cassim as Chief Executive Officer of the Fund. The new directors and Chief Executive Officer have been approved by the Securities and Exchange Commission of Pakistan.

Trading in shares by directors

No trade in the shares of the Fund were carried out by the Directors, CEO, CFO, Company Secretary and / or their spouses and minor children, with the exception of Mr. Syed Ghausuddin Saif. Mr. Saif was appointed as a director of the Fund during the year. As per the Articles of Association, he was required to acquire a minimum of 500 qualification shares.

Attendance at Board Meetings

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

ASFL Board	Status	Attended	Meeting*
Mr. Pervez Akhtar	Chairman	4	4
Mr. Nihal Cassim	CEO	4	4
Mr. Abdul Rauf	Director	3	4
Mr. Asif Ali	Director	4	4
Mr. Ali Altaf Saleem	Director	4	4
Mr. Muhammad Naguib	Director	4	4
Mr. Syed Saif Ghausuddin	Director**	0	2
Mr. Asif Haider Mirza	Former Director**	2	2

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

** Change in directorship effective December 27, 2010

During the year under review, three resolutions were passed by circulation and these resolutions were ratified by the Board at the ensuing Board meetings.

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Attendance at Audit Committee Meetings

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

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

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

The Audit Committee is governed by a Board approved Audit Committee Charter

Corporate Governance

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

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

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

Pattern of shareholding

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

Amendments to Legal Framework

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

Companies (Corporate Social Responsibility) General Order, 2009

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

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Credit Rankings / Ratings

The Fund's last ranking from JCR - VIS is based on December 31, 2010 performance. In this ranking the Fund has been placed as MFR*3 for one year, two year and three year weighted average performance. The Management Quality rating of Safeway Fund Limited is AM4+.

External Auditors

At the last AGM of the Fund, the shareholders appointed BDO Ebrahim and Company Chartered Accountants as auditors of the Fund for the year ending June 30, 2011. The Board of Directors have recommended the re-appointment of the retiring auditors, who have offered their consent for this purpose.

Communication with Shareholders

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

Acknowledgement

The Board wishes to place on record its appreciation to the Securities and Exchange Commission of Pakistan, the Karachi, Lahore and Islamabad Stock Exchanges and Central Depository Company Limited and the National Clearing Company Limited for their continued guidance and support. We also thank our professional service providers - our brokers, Ahmed and Qazi Advocates & Legal Consultants, BDO Ebrahim & Co. Chartered Accountants, and Riaz Ahmad & Co. Chartered Accountants for their advice and guidance. The Board also extends its thanks to the Asset Manager's team for their continued efforts in strengthening the policies, procedures and control environment of the Fund.

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

For and on behalf of the Board of Directors



NIHAL CASSIM
Chief Executive Officer

September 23, 2011

FUND MANAGER'S REPORT

This report forms an integral part of the Directors' Report for the year ended June 30, 2011.

The Role of the Asset Manager

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

Investment Objective and Risk Management

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

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

Investment Committee

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

Name	Designation at SFL	Qualification	Experience
Nihal Cassim	Chief Executive Officer and Fund Manager	MBA in Finance and MIS (McGill)	12 years
Tehmeena Khan	Chief Financial Officer and Company Secretary	ACA (ICAEW)	8 years
Mohammad Turab	Financial Accountant	B Com, Articleship	8 years
Mahmood Riaz	Research Analyst	ACCA part	1 year

The Investment Committee meets at least once a month to conduct a detailed review of the investment strategy and portfolio performance. The Fund Manger has been delegated the responsibility for daily monitoring and execution of investment decisions. Typically, investee companies are evaluated to determine target prices and when these target prices are met, the securities are disposed off. Where a change in condition necessitates, target prices are revised. Where the opportunity arises, the Fund Manager also switches portfolio allocation to maximize on companies with cheaper valuations and untapped growth potential. Preference is given to equity instruments as historically the returns on such equities have out performed the return on fixed income instruments. Our focus is on investment and not on speculative trading or index tracking.

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The portfolio is diversified in accordance with the regulations laid down by the Securities and Exchange Commission of Pakistan (SECP). Exposure limits include group - a limit of 35% for one group of companies, sector - 25% or the index weighting, subject to a cap of 35%, security - 10% or the index weighting, subject to a cap of 15%.

Economic Review

Pakistan's economic performance for the year ending June 30, 2011 was below expectations. This can be seen in the economic indicators presented below:

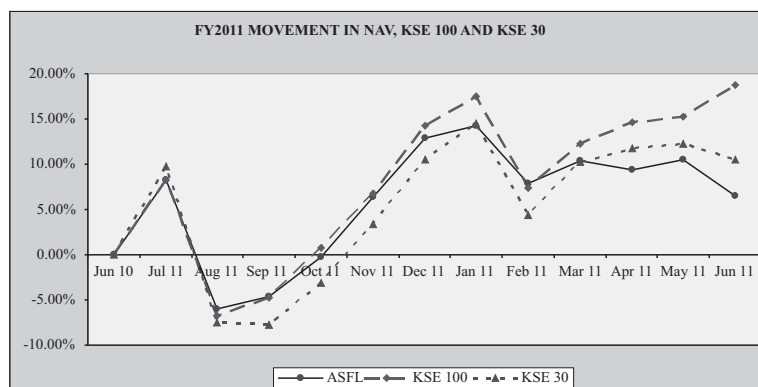
	FY10A	FY11A	FY12F
Real GDP Growth	4.1%	2.4%	4.2%
Agriculture Growth	2.0%	1.2%	3.4%
Manufacturing Growth	5.2%	3.0%	3.1%
Trade Deficit (US\$ bn)	-15.3	-11.2	-12.3
Remittances (US\$ bn)	8.9	11.2	12.0
Tax Revenue (Rs bn)	1,483.0	1,680.0	2,074.20
Dev Expenses (Rs bn)	510.0	450.0 (E)	730.0
Total Debt (Rs. Bn)	9,328.6	10,379.4	11,800.0
Inflation	11.7%	13.9%	12.0%
Rs / US\$ parity	85.50	85.96	90.0

Source : SBP, NBP, budget 2011-2012, SFL

In FY2011 GDP growth once again remained low due to a sluggish manufacturing sector where capacities remained under utilized and weak agricultural growth due to the floods in August 2010. Repeated cuts in PSDP are now taking their toll on growth prospects and government spending is not translating into demand growth. The latter is evident in the trade deficit which continued to narrow despite high oil prices indicating that demand for items is subdued. While rising prices of agri and other commodities helped inflation rise up to near 14%, part of the inflation is also due to continued de-subsidizing of the energy chain and this is not expected to continue past FY2013. On the positive side the rupee depreciated 1% as against its historical average of nearly 4%, remittances were far above expectations and an aggressive tax collection target was almost met, however we suspect that a large component of these tax collections may be in withholding tax form.

Market Review

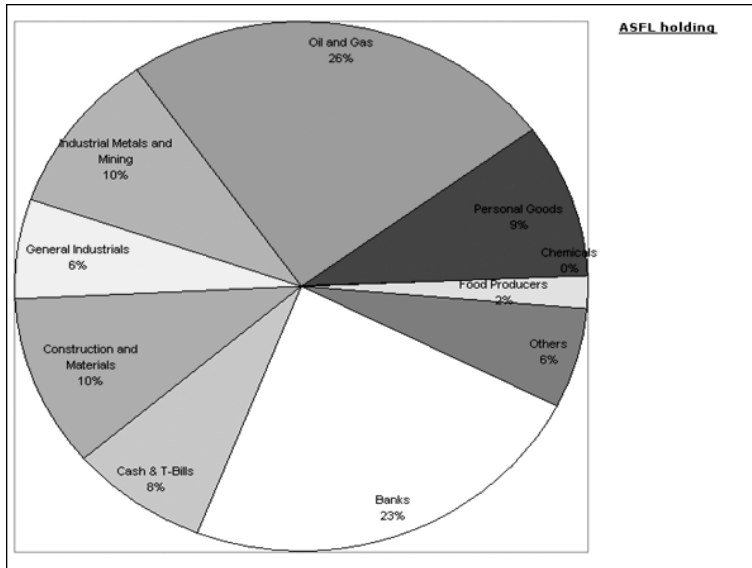
The KSE-100 Index began the fiscal year 2011 at 9,721.91 points, and closed at 12,496.03 points, an increase of 28.53%, while the KSE 30 Index increased by 21.24%. The Fund's NAV grew by 14.35% to close at Rs. 7.17 per share on June 30, 2011 and ranked 10th in a peer group of 13 closed end funds. More details about the performance of the mutual fund sector is available on www.mutap.com.pk



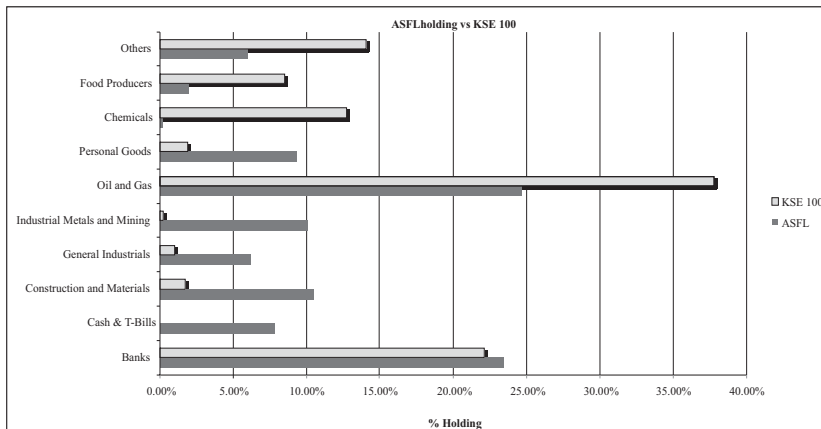
Fund Review

Portfolio Statistics

The Fund's portfolio as of June 30, 2011 was invested in the following sectors:-



Although the Fund considers the KSE 100 as a reference point for performance benchmarking, the Fund is not an index tracker. Approximately 48.12% of the Fund's investments are in the oil and gas sector and commercial banks, which also have the top weightings in the KSE. The Fund is overweight in construction and materials, industrial metal and mining, personal goods and general industrial companies. Management is bullish on these sectors and expects to realize superior returns in the future. The Fund is underweight in food producer, fertilizers and chemical sectors which we consider to be expensive at current levels. The rest of the portfolio is broadly distributed amongst various sectors in an effort to diversify the risk profile of the portfolio. A comparison of the Fund's largest sector exposures with the KSE weightings is shown below:



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Exposure Limits

At June 30, 2011, the Fund's investment in POL and DGKC had risen to 11.13% and 10.68% respectively due to market movements.

Results of operations

A gain on sale of shares of Rs. 42.745 million was earned during the year against Rs. 116.881 million in prior year. Dividend income, return on treasury bills and other income increased by 45.24% to contribute Rs. 39.202 million to the income head. The unrealized diminution on investments decreased from Rs. 42.429 million in the prior year to positive of Rs. 19.065 million in the current year. Current year operating expenses were Rs. 16.704 million compared to Rs. 20.354 million last year resulting in a net gain of Rs. 84.308 million in the current year compared to Rs. 81.090 million in the prior year. This translates to an increase in EPS from Rs. 0.90 to Rs. 0.94. The Performance Table for the last 6 years in the Annual Report.

Distribution

The Board of Directors have recommended a cash distribution of 6.6% for this year, amounting to Rs. 0.66 per share.

Future Outlook

Economic Outlook

The FY2012 budget has set aggressive targets for economic growth backed by agricultural, manufacturing and services sectors. We believe these targets are aggressive and will not materialize. We expect difficult times to continue with local demand staying low, with limited spending in PSDP and the private sector being crowded out. We see continued harassment by tax officials and abnormal tax policies by the government in a desperate attempt to meet revenue targets. We see a bad year for the rupee and expect it to devalue by about 5%. Towards the end of FY2012, we foresee global commodity prices coming down to levels below the FY2011 averages, which should lower the trade deficit. On the back of this, we can expect lower inflation and the beginning of economic recovery. Overall in about a year's time we believe that our region will be a net beneficiary of global money flows with generous allocation to equities as an asset class.

Market Outlook

Despite the weak economic outlook on the back of slow private sector activity, lack of funding, high cost of money and a weakening currency, we believe that selected stock market values are still cheap and there is limited room for further downside, while upward re-pricing will also not be quick. We continue to like energy companies that offer US dollar linked revenues and strong to stable cash flows.

We are optimistic in cements due to rebuilding requirements within Pakistan and Afghanistan. Most financial company worry us as these are directly related to economic performance, however large Pakistani banks benefit from their infrastructure related economic of scale such as large branch networks, low cost of deposits and growing risk free lending to the government at attractive rates. Our emphasis will remain on companies that are in market leadership positions.

Acknowledgement

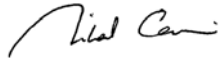
The Asset Manager wishes to place on record its appreciation to the Securities and Exchange Commission of Pakistan, the Board of Asian Stocks Fund Limited, the Karachi, Lahore and Islamabad Stock Exchanges, Central Depository Company Limited and the National Clearing Company Limited for their continued guidance and support. We also thank our professional service providers - our brokers,

 **ASIAN STOCKS FUND LIMITED ANNUAL REPORT 2011**

Ahmed and Qazi Advocates & Legal Consultants, Rafaqat Mansha Mohsin Dossani Masoom & Co. Chartered Accountants, BDO Ebrahim and Company Chartered Accountants and Riaz Ahmad and Company Chartered Accountants for their advice and guidance.

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

For and on behalf of Safeway Fund Limited



NIHAL CASSIM
Chief Executive Officer

September 23, 2011

FINANCIAL HIGHLIGHTS FOR THE LAST SIX YEARS

In Rupees	2011	2010	2009	2008	2007	2006
Income Statement						
Income / (Loss)	101,012,000	101,444,000	(138,533,000)	35,503,000	96,251,000	(82,691,130)
Expense	16,704,000	20,354,000	77,166,000	25,746,000	22,980,000	18,237,314
Profit / (Loss) before Taxation	84,308,000	81,090,000	(215,699,000)	9,757,000	73,271,000	(100,928,444)
Profit / (Loss) after Taxation	84,308,000	81,090,000	(215,699,000)	9,757,000	73,439,000	(101,656,882)
Income Statement Components						
Gain / (Loss) on Sale of shares	42,745,000	116,881,000	(98,452,000)	104,774,000	84,354,000	24,236,844
Gain / (Loss) on Remeasurement of Investments	19,065,000	(42,429,000)	(74,165,000)	(111,511,000)	(12,656,000)	(119,706,468)
Remuneration of the Asset Manager	13,179,000	13,101,000	10,744,000	17,799,000	14,436,000	15,107,000
Balance Sheet						
Net Assets	645,077,000	634,569,000	491,128,000	795,973,000	919,323,000	543,268,504
Share Capital	900,000,000	900,000,000	900,000,000	900,000,000	900,000,000	900,000,000
Investments	635,911,000	536,162,000	485,037,000	748,744,000	740,876,000	545,420,827
Ratios and Supplementary Data						
Average NAV (in Rupees)	658,950,000	655,050,000	537,200,000	889,950,000	721,800,000	755,350,000
Average Market Capitalization (in Rupees)	372,600,000	314,100,000	479,700,000	473,400,000	483,330,508	1,022,608,696
Net Assets Value per Share (in Rupees)	7.17	7.04	5.46	8.84	10.22	6.04
Earnings / (Loss) per Share (in Rupees)	0.94	0.90	(2.39)	0.11	0.82	(1.13)
Average Market Price (in Rupees)	4.14	3.49	5.33	5.26	5.37	11.36
Return on Average Capital Employed	13.18%	14.41%	-33.52%	1.14%	10.17%	-13.46%
Dividend - Cash Payout	6.60%	8.20%	-	1.00%	5.00%	-
Dividend - Bonus	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Dividend Yield	15.94%	23.50%	0.00%	1.90%	9.31%	0.00%
Income to Expense	6.05	4.98	(1.80)	1.38	4.19	(4.53)
Average Price to Earning Ratio	4.40	3.88	(2.23)	47.82	6.55	(10.06)
Average Price to Book Ratio	0.58	0.50	0.98	0.60	0.53	1.88

 **ASIAN STOCKS FUND LIMITED ANNUAL REPORT 2011**

PERFORMANCE TABLE

	2011	2010	2009	2008	2007	2006
Beginning net assets (Rs 000)	634,569	491,128	795,973	919,323	543,268	833,112
Beginning NAV (Rs) (Ex Div)	6.22	5.46	8.74	9.72	6.04	9.26
Ending net assets (Rs 000)	645,077	634,569	491,128	795,973	919,323	543,268
Ending NAV (Rs)	7.17	7.04	5.46	8.84	10.22	6.04
Profit / (Loss) after tax(Rs '000)	84,308	81,090	(215,699)	9,757	73,439	(101,657)
Earning per share (Rs.)	0.94	0.90	(2.40)	0.11	0.82	(1.13)
Cash Distribution (Rs)						
- interim	-	-	-	-	-	-
- final	0.66	0.82	-	0.1	0.5	-
Bonus Distribution - Final	-	-	-	-	-	-
Distribution dates - Final	15-Oct-11	20-Oct-10	-	28-Oct-08	31-Aug-07	
Income Distribution	10.61%	15.03%	0.00%	1.03%	8.28%	0.00%
Capital Growth	4.61%	14.00%	-37.56%	-10.08%	60.93%	-34.77%
Total Return	15.22%	29.02%	-37.56%	-9.05%	69.21%	-34.77%
Average annualized return of the Fund (CAGR) (%)						
One Year	15.22%	29.02%	-37.56%	-9.05%		
Two Year	-23.19%	9.72%	21.41%	-27.32%		
Three Year	2.87%	8.85%	-0.09%	-0.29%		

Disclaimer

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

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

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

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

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

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

Based on our review nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended June 30, 2011.

KARACHI
DATED: September 23, 2011

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

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed statement of assets and liabilities of ASIAN STOCKS FUND LIMITED as at June 30, 2011 and the related income statement, statement of comprehensive income, distribution statement, cash flow statement, statement of movement in equity and reserves-'per share' and statement of changes in equity together with the notes forming part thereof (here-in-after referred to as the financial statements), for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

- a) in our opinion proper books of accounts have been kept by the Company as required by the Companies Ordinance, 1984, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 and the Non-Banking Finance Companies and Notified Entities Regulations, 2008;
- b) in our opinion:
 - i) the statement of assets and liabilities and income statement together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of accounts and are further in accordance with accounting policies consistently applied;
 - ii) the expenditure incurred during the year was for the purpose of the Company's business; and
 - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- c) in our opinion and to the best of our information and according to the explanations given to us, the statement of assets and liabilities, income statement, statement of comprehensive income, distribution statement, cash flow statement, statement of movement in equity and reserves-'per share' and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 and the Non-Banking Finance Companies and Notified Entities Regulations, 2008, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2011 and of the profit, comprehensive income, its cash flows and changes in equity for the year then ended; and

 **ASIAN STOCKS FUND LIMITED ANNUAL REPORT 2011**

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

Without qualifying our opinion, we draw attention to note 10.1 to the financial statements which refers to an uncertainty relating to the future outcome of litigation regarding contribution to the Workers' Welfare Fund.

KARACHI
September 23, 2011

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

ASIAN STOCKS FUND LIMITED ANNUAL REPORT 2011

**STATEMENT OF ASSETS AND LIABILITIES
AS AT JUNE 30, 2011**

	Note	2011	2010
(Rupees in thousand)			
ASSETS			
NON CURRENT ASSETS			
Long term deposits		2,575	2,575
CURRENT ASSETS			
Bank balances	5	2,923	97,700
Mark up accrued		49	758
Short term investments	6	635,911	536,162
Dividend receivable		2,546	1,400
Receivable against sale of investments		2,484	-
Income tax refundable		1,134	1,134
		<u>645,047</u>	<u>637,154</u>
TOTAL ASSETS		647,622	639,729
CURRENT LIABILITIES			
Remuneration payable to Asset Manager	7	1,089	1,050
Accrued expenses and other liabilities	8	1,456	4,110
		<u>2,545</u>	<u>5,160</u>
NET ASSETS		645,077	634,569
REPRESENTED BY:			
Share capital			
Authorized share capital			
100,000,000 (2010: 100,000,000) ordinary shares of Rs.10 each		<u>1,000,000</u>	<u>1,000,000</u>
Issued, subscribed and paid-up share capital	9	900,000	900,000
Revenue reserve			
Unappropriated loss		(254,923)	(265,431)
CONTINGENCIES AND COMMITMENTS	10	-	-
SHAREHOLDERS' EQUITY		<u>645,077</u>	<u>634,569</u>
Rupees			
Net asset value per share		<u>7.17</u>	<u>7.04</u>

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


Chief Executive


Director

**INCOME STATEMENT
FOR THE YEAR ENDED JUNE 30, 2011**

	Note	2011	2010
(Rupees in thousand)			
INCOME			
Net capital gain on sale of investments		42,745	116,881
Net unrealized appreciation/(diminution) on investments at fair value through profit or loss	6.2	19,065	(42,429)
Return on Government treasury bills/Sukuk		5,393	389
Profit on bank account		7,276	11,099
Dividend income		26,510	15,503
Other income		23	1
		101,012	101,444
OPERATING EXPENSES			
Remuneration to Safeway Fund Limited - Asset Manager	7	(13,179)	(13,101)
Annual fee - Securities and Exchange Commission of Pakistan		(626)	(622)
Settlement and custody charges		(601)	(656)
Bank charges		(53)	(5)
Professional fees and subscriptions		(340)	(470)
Auditors' remuneration	11	(465)	(534)
Directors' traveling and meeting attendance fee		(208)	(318)
Printing, postage and telegram		(164)	(164)
Advertisement		(128)	(55)
Legal and professional charges		(64)	(12)
Brokerage and federal excise duties		(874)	(4,400)
Others		-	(17)
		(16,704)	(20,354)
Income before tax		84,308	81,090
Taxation	12	-	-
Income for the year		84,308	81,090
Earnings per share (Rupees):			
With unrealised appreciation / (diminution) on remeasurement of investments	20	0.94	0.90
Without unrealised appreciation / (diminution) on remeasurement of investments	20	0.73	1.37

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


Chief Executive


Director

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2011**

	2011	2010
	(Rupees in thousand)	
Income for the year	84,308	81,090
Other comprehensive income for the year		
Movement in available for sale investments	-	62,351
Total comprehensive income for the year	<u>84,308</u>	<u>143,441</u>

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



Chief Executive



Director

**STATEMENT OF MOVEMENT IN EQUITY
AND RESERVES - 'PER SHARE'
FOR THE YEAR ENDED JUNE 30, 2011**

	2011	2010
	(Rupees)	
Net assets per share as at July 01, 2010	7.04	5.45
Final dividend	(0.82)	-
Net capital gain on sale of marketable securities	0.48	1.30
Net unrealised appreciation/(diminution) on remeasurement of equity investments at fair value through profit or loss	0.21	(0.47)
Other net operating income for the year	0.26	0.07
Net income for the year	0.95	0.90
Unrealised appreciation in the value of investments classified as available for sale	-	0.69
Net assets per share as at June 30, 2011	<u>7.17</u>	<u>7.04</u>

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


Chief Executive


Director

**CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2011**

	Note	2011	2010
(Rupees in thousand)			
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax		84,308	81,090
Adjustments:			
Unrealised (appreciation)/diminution on remeasurement of investments at fair value through profit or loss		(19,065)	42,429
Capital gain on sale of investments classified as 'available for sale'		-	111,222
Dividend income		(26,510)	(15,503)
Return on Government treasury bills and profit on bank account		(12,692)	(11,100)
Remuneration of Asset Manager		13,179	13,101
Settlement and custody charges		411	656
		<u>39,631</u>	<u>221,895</u>
(Increase) in current assets			
Short term investments		(79,693)	(142,425)
Receivable against sale of investments		(2,484)	-
		<u>(82,177)</u>	<u>(142,425)</u>
(Decrease)/increase in current liabilities			
Accrued expenses and other liabilities		(2,848)	2,905
Cash (used in)/generated from operations		<u>(45,394)</u>	<u>82,375</u>
Dividend received		25,364	15,544
Return on Government treasury bills and profit on bank account		12,410	10,505
Remuneration of Asset Manager		(13,140)	(12,889)
Remuneration of custodian		(411)	(639)
Dividend paid		(73,606)	(1)
Net cash (used in)/generated from operating activities		<u>(94,777)</u>	<u>94,895</u>
Cash and cash equivalents at beginning of the year		<u>97,700</u>	<u>2,805</u>
Cash and cash equivalents at end of the year	5	<u><u>2,923</u></u>	<u><u>97,700</u></u>

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



Chief Executive



Director

**DISTRIBUTION STATEMENT
FOR THE YEAR ENDED JUNE 30, 2011**

	2011	2010
	(Rupees in thousand)	
Unappropriated loss brought forward	(265,431)	(346,521)
Final dividend for the year ended June 30, 2010 at Rs 0.82 per share	(73,800)	-
Income for the year	84,308	81,090
Unappropriated loss carried forward	<u>(254,923)</u>	<u>(265,431)</u>

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



Chief Executive



Director

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2011**

Issued, subscribed and paid-up capital	Capital reserve	Revenue reserve	Total
	Unrealized diminution in available for sale investments	Unappropriated (loss)	
----- (Rupees in thousand) -----			

Balance as at July 01, 2009	900,000	(62,351)	(346,521)	491,128
Total comprehensive income for the year	-	62,351	81,090	143,441
Balance as at June 30, 2010	900,000	-	(265,431)	634,569
Dividend for the year ended June 30, 2010	-	-	(73,800)	(73,800)
Total comprehensive income for the year	-	-	84,308	84,308
Balance as at June 30, 2011	<u>900,000</u>	<u>-</u>	<u>(254,923)</u>	<u>645,077</u>

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


Chief Executive


Director

NOTES TO THE FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2011

1. LEGAL STATUS AND NATURE OF BUSINESS

Asian Stocks Fund Limited (the Company) is a public limited company incorporated in June 1994 under the Companies Ordinance, 1984 and was registered with the Securities and Exchange Commission of Pakistan (SECP) as an Investment Company under the Investment Companies and Asset Managers Rules, 1971 to carry on the business of a closed end investment company. The Company is now registered as a notified entity as per section 46 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008 ("The NBFC Regulations"). The Company commenced its business in July 1994 and is listed on Karachi, Lahore and Islamabad Stock Exchanges.

The Company has entered into an agreement with Safeway Fund Limited (SFL) to act as its Asset Management Company. SFL is duly licensed under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 ("The NBFC Rules") to act as an Asset Management Company. The Company primarily invests in shares of listed companies.

JCR-VIS Credit Rating Company Limited has assessed the Company's 1 year, 2 year and 3 year performance ranking at 'MFR 3 Star' as at December 31, 2010. The management quality rating of Safeway Fund Limited is AM4+.

2. BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with the requirements of the Companies Ordinance, 1984, the NBFC Rules and 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 Basis of measurement

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

2.3 Functional and presentation currency

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

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

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

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

		Effective date (annual periods beginning on or after)
IAS 32	Financial Instruments	February 01, 2010
IFRS 1	First time Adoption of International Financial Reporting Standards	January/July 01, 2010
IFRS 2	Share based Payment	January 01, 2010

In April 2009 and May 2010, International Accounting Standards Board issued amendments to various accounting standards primarily with a view to removing inconsistencies and clarifying wording. These improvements are listed below:

Issued in April 2009

IAS 1	Presentation of Financial Statements	January 01, 2010
IAS 7	Cash flows statement	January 01, 2010
IAS 17	Leases	January 01, 2010
IAS 36	Impairment of assets	January 01, 2010
IAS 39	Financial Instruments: Recognition and Measurement	January 01, 2010

Issued in April 2009

IFRS 5	Non Current Assets Held for Sale and Discontinued Operations	January 01, 2010
IFRS 8	Operating Segments	January 01, 2010

Issued in May 2010

IAS 27	Consolidated and Separate Financial Statements	July 01, 2010
IFRS 3	Business Combination	July 01, 2010

3.2 Amendments not yet effective

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

		Effective date (annual periods beginning on or after)
IAS 1	Presentation of Financial Statements	July 01, 2012
IAS 12	Income Taxes	January 01, 2012
IAS 19	Employee Benefits	January 01, 2013

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IAS 24	Related Party Disclosures	January 01, 2011
IAS 27	Consolidated and Separate Financial Statements	January 01, 2013
IAS 28	Investments in Associates	January 01, 2013
IFRS 1	First time Adoption of International Financial Reporting	July 01, 2011
IFRS 7	Financial Instruments Disclosures	July 01, 2011
IFRS 9	Financial Instruments – Classification and Measurement	January 01, 2013
IFRIC 14	The limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	January 01, 2011

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

In addition to the above, amendments to various standards have also been issued by the IASB. Such interpretations are generally effective for accounting periods beginning on or after January 01, 2011. The Company expects that such improvements to the standards will not have any material impact on the Company's financial statements in the period of initial application.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Financial assets

4.1.1 Classification

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

a) Financial assets at fair value through profit or loss

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

b) Loans and receivables

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

c) Held-to-maturity

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

d) Available for sale

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

4.1.2 Regular way contracts

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

4.1.3 Initial recognition and measurement

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

4.1.4 Subsequent measurement

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

a) Basis of valuation of equity securities

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

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

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

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

4.1.5 Derecognition

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

4.1.6 Offsetting of financial instruments

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

4.2 Financial liabilities

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

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

4.3 Derivatives

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

4.4 Impairment

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

4.5 Taxation

Current

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

Deferred

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

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

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

4.6 Creditors, accruals and provisions

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

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

4.7 Cash and cash equivalents

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

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4.8 Revenue Recognition

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

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

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

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

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

4.9 Critical accounting estimates and judgments

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

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

	2011	2010
	(Rupees in thousand)	
5. BANK BALANCES		
In a saving account	2,608	97,579
In current accounts	315	121
	2,923	97,700

The balance in saving account bears mark up at 10% (2010: 5% to 10%) per annum.

6. SHORT TERM INVESTMENTS

Held-to-maturity	6.1	49,531	-
At fair value through profit or loss	6.2	586,380	536,162
		635,911	536,162

6.1 Held-to-maturity

Government Treasury Bills (3 months)	6.1.1	49,531	-
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6.1.1 This investment has a face value of Rs.50.00 million with a purchase yield of 13.070% and is due to mature on July 28, 2011. This includes mark-up accrued amounting to Rs.0.991 million.

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

Name of the Investee Company	No of shares			Balance as at June 30, 2011			Percentage in relation to				
	As at July 01, 2010	Purchases during the year	Bonus / rights	Sales during the year	As at June 30, 2011	Cost	Carrying cost	Market Value	Appreciation / (diminution)	Market value as a percentage of paid-up capital of the investee company	Market value as a percentage of total market value of investments
Rupees in thousand											
Shares of listed companies - Fully paid ordinary shares of Rs 10 each unless stated otherwise											
RELATED PARTIES											
Food Producers											
Shakanganj Mills Limited	2,108,319	-	-	-	2,108,319	15,968	8,012	13,367	5,355	2.07	3.03
Shakanganj Mills Limited - Cum. Red. Pref	167,500	-	-	-	167,500	1,761	504	410	(94)	0.06	0.48
						17,729	8,516	13,777	5,261	2.13	3.51
Industrial Metal and Mining											
Crescent Steel & Allied Products Limited	1,090,000	-	-	-	1,090,000	24,810	27,370	28,471	1,101	4.41	1.93
International Industries Limited	-	300,000	-	-	300,000	15,045	15,045	14,850	(195)	2.30	0.25
International Steels Limited	-	1,441,783	-	200,000	1,241,783	17,472	17,472	16,901	(571)	2.62	0.25
						57,327	59,887	60,222	335	9.33	2.43
Oil and Gas											
Pakistan Oilfields Limited	300,000	-	-	100,000	200,000	47,095	43,180	71,802	28,622	11.13	0.08
						47,095	43,180	71,802	28,622	11.13	0.08
OTHERS											
Financial Services											
Innovative Investment Bank Limited (note 6.2.1)	20,000	-	-	-	20,000	-	-	-	-	-	-
Invest Capital Investment Bank Limited	467,532	-	-	-	467,532	489	397	150	(247)	0.02	0.16
Escorts Investment Bank Limited	62,150	-	-	-	62,150	243	180	120	(60)	0.02	0.14
						732	577	270	(307)	0.04	0.30
Personal Goods											
Nishat Mills Limited	-	745,314	-	50,000	695,314	44,484	44,484	35,002	(9,482)	5.43	0.20
The Crescent Textile Mills Limited	1,295,031	-	-	-	1,295,031	35,934	27,934	20,164	(7,770)	3.13	2.63
Thal Limited (Ordinary share of Rs. 5 each)	331,000	-	66,200	-	397,200	29,265	31,425	40,133	8,708	6.22	0.65
						109,683	103,843	95,299	(8,544)	14.78	3.48
											16.25

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Name of the Investee Company	No of shares			Balance as at June 30, 2011				Percentage in relation to				
	As at July 01, 2010	Purchases during the year	Bonus / rights	Sales during the year	As at June 30, 2011	Cost	Carrying cost	Market Value	Appreciation / (diminution)	Market value as a percentage of net assets	Market value as a percentage of the paid up capital of the investee company	Market value as a percentage of final market value of investments
Construction and Materials												
D.G Khan Cement Company Limited (note 6.2.2)	2,747,828	-	499,565	250,000	2,997,393	83,653	68,990	68,910	(80)	10.68	0.68	11.75
D.G Khan Cement Company Limited - Right	815,287	-	499,565	499,565	-	-	-	-	-	-	-	-
Lucky Cement Limited	-	-	-	815,287	-	-	-	-	-	-	-	-
Bank						83,653	68,990	68,910	(80)	10.68	0.68	11.75
Allied Bank Limited	-	400,000	-	400,000	-	-	-	-	-	-	-	-
Askari Bank Limited	-	1,012,320	-	-	1,012,320	11,959	11,959	11,014	(945)	1.71	0.14	1.88
Bank Al Falah Limited (note 6.2.2)	6,352,691	-	-	-	6,352,691	76,110	60,096	60,795	699	9.42	0.47	10.37
National Bank of Pakistan Limited	-	461,939	-	461,939	-	-	-	-	-	-	-	-
Samba Bank Limited	1,998,008	-	-	-	1,998,008	6,814	4,535	3,417	(1,118)	0.53	0.14	0.58
Soneri Bank Limited	-	1,063,693	1,353,677	-	2,417,370	13,644	13,644	12,256	(1,388)	1.90	0.40	2.09
Soneri Bank Limited - Right	-	1,000,000	353,677	1,353,677	-	-	-	-	-	-	-	-
United Bank Limited (note 6.2.2)	708,648	659,707	-	336,884	1,031,471	57,573	62,239	63,858	1,619	9.90	0.08	10.89
						166,100	152,473	151,340	(1,133)	23.46	1.23	25.81
Non Life Insurance												
Adamjee Insurance Company Limited	-	25,000	-	25,000	-	-	-	-	-	-	-	-
Beema Pakistan Company Limited (note 6.2.3)	200,000	-	-	-	200,000	518	-	-	-	-	0.48	-
						518	-	-	-	-	0.48	-
Industrial Transportation												
Pakistan National Shipping Corporation Limited	44,100	-	-	-	44,100	2,524	1,759	1,058	(701)	0.16	0.03	0.18
						2,524	1,759	1,058	(701)	0.16	0.03	0.18
Oil and Gas												
Attock Petroleum Limited	35,000	-	7,000	42,000	-	-	-	-	-	-	-	-
Oil and Gas Development Company Limited	-	5,000	-	5,000	-	-	-	-	-	-	-	-

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Name of the Investee Company	No. of shares				Balances as at June 30, 2011				Percentage in relation to				
	As at July 01, 2010	Purchases during the year	Bonus / rights	Sales during the year	As at June 30, 2011	Cost	Carrying cost	Market Value	Appreciation / (diminution)	Market values as a percentage of net assets	Market value as a percentage of the paid-up capital of the investee company	Market value as a percentage of total market value of investments	
Rupees in thousand													
Pakistan Petroleum Limited	153,234	50,000	30,646	95,880	138,000	24,058	23,656	28,576	4,920	4.43	0.01	4.87	
Pakistan State Oil Company Limited	228,091	-	-	-	228,091	66,951	59,349	60,348	999	9.36	0.13	10.29	
Attock Refinery Limited	-	10,000	-	10,000	-	91,009	83,005	88,924	5,919	13.79	0.14	15.16	
Automobile and Parts													
Pak Suzuki Motors Company Limited	131,864	-	-	-	131,864	26,003	10,453	8,248	(2,205)	1.28	0.16	1.41	
Fixed Line Telecommunication													
Pakistan Telecommunication Company Limited	800,000	85,000	-	481,809	403,191	7,260	7,153	5,733	(1,420)	0.89	0.01	0.98	
Wateen Telecom Limited	1,000,000	-	-	-	1,000,000	10,000	6,230	2,080	(4,150)	0.32	0.16	0.35	
Chemicals													
Arif Habib Corporation Limited	-	300,000	-	300,000	-	-	-	-	-	-	-	-	
Fatima Fertilizer Company Limited	-	-	75,000	75,000	-	-	-	-	-	-	-	-	
Lotte Pakistan PTA Limited	500,000	142,000	-	642,000	-	-	-	-	-	-	-	-	
Electricity													
Altern Energy Limited	2,056,821	-	-	-	2,056,821	18,511	21,247	18,717	(2,530)	2.90	0.60	3.19	
Real Estate Investment and Services													
Pace Pakistan Limited	362,221	-	-	362,221	-	18,511	21,247	18,717	(2,530)	2.90	0.60	3.19	
Media													
Southern Networks Limited (note 6.2.3)	50,000	-	-	-	50,000	489	-	-	-	-	0.10	-	
						489	-	-	-	-	0.10	-	
TOTAL 2011						24,025,325	7,701,756	2,885,330	6,506,262	28,106,149	638,633	567,313	586,380
TOTAL 2010						12,094,792	38,204,990	1,329,601	27,604,058	24,025,325	610,628	578,591	536,162
												(42,429)	

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

6.2.2 4,463,534 shares of Bank Al Falah Limited, 1,289,857 shares of D.G.Khan Cement Company Limited and 200,000 shares of United Bank Limited have been pledged with National Clearing Company of Pakistan Limited (NCCPL) as collateral against trading facility in the Karachi stock exchange.

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

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7. REMUNERATION PAYABLE TO ASSET MANAGER

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

8. ACCRUED EXPENSES AND OTHER LIABILITIES	2011	2010
	(Rupees in thousand)	
Payable to brokers	-	9
Payable to National Clearing Company of Pakistan Limited against purchase of investments	-	2,812
Fee payable to Securities and Exchange Commission of Pakistan	626	622
Custodian fee and settlement charges payable	46	50
Audit fee payable	300	325
Dividend payable	486	292
	<u>1,456</u>	<u>4,110</u>

9. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

Number of ordinary shares of Rs.10 each				
<u>90,000,000</u>	<u>90,000,000</u>	Fully paid in cash	<u>900,000</u>	<u>900,000</u>

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

	(Number of shares)	
Safeway Fund Limited	22,499,549	9,472,646
Samba Bank Limited	-	26,808,938
Crescent Steel and Allied Products Limited	9,060,000	9,060,000
Shakarganj Mills Limited	16,245,673	16,245,673
	<u>47,805,222</u>	<u>61,587,257</u>

9.1 Pattern of shareholding as at June 30, 2011:

Category	Number of shareholders	Shares held	Percentage
Individuals	744	39,126,847	43.47
Associated companies / Directors	10	47,808,225	53.12
Banks / DFIs	4	212,229	0.24

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Category	Number of shareholders	Shares held	Percentage
NIT and ICP	3	357,192	0.40
Modaraba and Mutual funds	1	100	-
Retirement funds	3	1,891,118	2.10
Others	12	604,289	0.67
	<u>777</u>	<u>90,000,000</u>	<u>100</u>
Pattern of share holding as at June 30, 2010:			
Individuals	736	25,269,022	28.08
Associated companies / Directors	9	61,589,757	68.43
Banks / DFIs	5	871,936	0.97
NIT and ICP	3	357,192	0.40
Modaraba and Mutual funds	1	100	-
Retirement funds	3	1,891,118	2.10
Others	12	20,875	0.02
	<u>769</u>	<u>90,000,000</u>	<u>100.00</u>

10 CONTINGENCIES AND COMMITMENTS

10.1 Contingencies

Through the Finance Act, 2008 an amendment was made in section 2 (f) of the Workers' Welfare Fund Ordinance, 1971 (the WWF Ordinance) whereby the definition of 'Industrial Establishment' has been made applicable to any establishment to which West Pakistan Shops and Establishment Ordinance, 1969 applies. As a result of this amendment, it appears that WWF Ordinance has become applicable to all whose income exceeds Rs. 0.5 million in a tax year. Some CISs and The Central Depository Company of Pakistan Limited on behalf of funds under its trusteeship have filed a petition before the Honorable High Court of Sindh on the grounds that mutual funds are not establishments and as a result not liable to pay contribution to WWF.

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

Further, the Secretary (Income Tax Policy) Federal Board of Revenue issued a letter dated October 06, 2010 to the Members (Domestic Operation) North and South FBR. In the letter, reference was made to the clarification issued by the Ministry of Labour and Manpower stating that mutual funds are a product and their income are exempted under the law *ibid*. The Secretary (Income Tax Policy) Federal Board of Revenue directed that the Ministry's letter may be circulated amongst field formation for necessary action. Following the issuance of FBR Letter, show cause notice which had been issued by Tax department for two mutual funds for payment of levy under WWF has been withdrawn. However, there have been instances whereby show cause notices under section 221 of the Income Tax Ordinance, 2001 have been issued to a number of mutual funds and we understand that MUFAP has requested Member Policy Direct Taxes for withdrawal of such show cause notices issued to such mutual funds.

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

This matter continues to be unresolved, however, in a remotely probable event, if the Collective Investment Schemes are considered as industrial establishment, the impact on the NAV per share will be Rs. 0.037 as of June 30, 2011.

10.2 Commitment

There were no commitments as of the balance sheet date.

	2011	2010
	(Rupees in thousand)	
11. AUDITORS' REMUNERATION		
Statutory audit	300	300
Half yearly review	165	165
Certification and other services	-	50
Out of pocket expenses	-	19
	465	534

12. PROVISION FOR TAXATION

The Company intends to avail the tax exemption under clause 99 of the Second Schedule to the Income Tax Ordinance, 2001 by distributing at least ninety percent of its accounting income for the year as reduced by capital gains, whether realized or un-realized, to its shareholders. Accordingly, no current tax liability for the year has been recognized in these financial statements.

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

	2011
	(Percentage)
Global Securities Pakistan Limited	25.53
Cassim Investments (Private) Limited	25.45
Foundation Securities (Private) Limited	9.00
Fortune Securities Limited	8.96
Invisor Securities (Private) Limited	8.26
Invest and Finance Securities Limited	5.36
First Capital Equities Limited	4.92
Y.H. Securities (Private) Limited	3.33
Topline Securities (Private) Limited	3.17
Aba Ali Habib Securities Limited	2.74
	2010
	(Percentage)
Arif Habib Limited	19.31
Cassim Investments (Private) Limited	18.92
Global Securities Pakistan Limited	16.66
AKD Securities Limited	14.74
Y.H. Securities (Private) Limited	12.00
KASB Securities Limited	3.88
Topline Securities (Private) Limited	2.99
Foundation Securities (Private) Limited	2.47
JS Global Capital Limited	1.32
Pearl Securities Limited	1.30

14. FINANCIAL RISK MANAGEMENT

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

14.1 Market risk

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

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

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

14.1.1 Currency risk

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

14.1.2 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

14.1.2.1 Sensitivity analysis for fixed rate instruments

Presently the Company's investments in debt securities are not sensitive to fixed interest rate risk.

14.1.2.2 Sensitivity analysis for variable rate instruments

Presently, the Company has no holding of KIBOR based interest bearing debt securities which would expose the Company to variable cash flow interest rate risk.

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

	Exposed to MROR risk as at June 30, 2011				Total
	Upto three months	More than three months and upto one year	More than one year	Not exposed to MROR risk	
	Rupees in thousand				
On-balance sheet financial instruments					
Financial assets					
Bank balances	2,923	-	-	-	2,923
Mark-up accrued	-	-	-	49	49
Short term investments	49,531	-	-	586,380	635,911
Dividend receivable	-	-	-	2,546	2,546
Long term deposits	-	-	-	2,575	2,575
Income tax refundable	-	-	-	1,134	1,134
Receivable against sale of investments	-	-	-	2,484	2,484
	52,454	-	-	595,168	647,622
Financial liabilities					
Remuneration payable to Asset Manager	-	-	-	1,089	1,089
Accrued expenses and other liabilities	-	-	-	1,456	1,456
	-	-	-	2,545	2,545
On-balance sheet gap	52,454	-	-	592,623	645,077
Off-balance sheet financial instruments					
Off-balance sheet gap	-	-	-	-	-
Total interest rate sensitivity gap	52,454	-	-	-	-

	Exposed to MROR risk as at June 30, 2010					Total
	Upto three months	More than three months and upto one year	More than one year	Not exposed to MROR risk		
Rupees in thousand						
On-balance sheet financial instruments						
Financial assets						
Bank balances	97,700	-	-	-	97,700	
Mark up accrued	-	-	-	758	758	
Short term investments	-	-	-	536,162	536,162	
Dividend receivable	-	-	-	1,400	1,400	
Income tax refundable	-	-	-	1,134	1,134	
Long term deposits	-	-	-	2,575	2,575	
	97,700	-	-	542,029	639,729	
Financial liabilities						
Remuneration payable to Asset Manager	-	-	-	1,050	1,050	
Accrued expenses and other liabilities	-	-	-	4,110	4,110	
	-	-	-	5,160	5,160	
On-balance sheet gap	97,700	-	-	536,869	634,569	
Off-balance sheet financial instruments	-	-	-	-	-	
Off-balance sheet gap	-	-	-	-	-	
Total gap	97,700	-	-	-	-	

14.1.2.4 The rate of return on financial instruments are given in the respected notes.

14.1.3 Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Company is exposed to equity securities price risk because of investments held by the Company and classified on the statement of assets and liabilities as financial assets at fair value through 'profit or loss'. To manage its price risk arising from investments in equity securities, the Company diversifies its portfolio within the eligible stocks prescribed in the constitutive document. The Company's constitutive document and regulatory framework also limit investment in individual equity securities to no more than 10% of net assets or the index weight of the security subject to a limit of 15% whichever is higher, and limit sector exposure to 30% or index weight whichever is higher, subject to maximum of 35%.

If there had been a 1% increase / decrease in KSE 100 index on June 30, 2011, the net loss for the year would decrease / increase by Rs. 4.826 million (2010: Rs 4.398 million) and the net assets of the Company would have increased / decreased by the same as a result of gains / losses on equity securities classified at fair value through profit or loss.

This analysis is based on the assumption that the KSE 100 index increased / decreased by 1%, all other variables held constant and all the Company's equity instruments moved according to the historical correlation with the KSE 100 index. The composition of the Company's investment portfolio and its correlation to the KSE 100 index, is expected to change over time. Accordingly, the sensitivity analysis prepared as of June 30, 2011 is not necessarily indicative of the effect of future movements in the level of the KSE 100 index on the Company's net assets.

14.2 Credit risk

Credit risk represents the risk of a loss if the counter parties fail to perform as contracted. Credit risk arises from deposits with banks and financial institutions, and credit exposure arising as a result of dividends receivable on equity securities. For banks and financial institutions, only reputed institutions are accepted. Credit risk on dividend receivable is minimal due to statutory protection. All transactions in listed securities are settled / paid for upon delivery using the central clearing company. The risk of default is considered minimal due to inherent systematic measures taken therein.

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

For banks and financial institutions, only reputed institutions are accepted. Credit risk on dividend receivable is minimal due to statutory protection. All transactions in listed securities are settled / paid for upon delivery using the central clearing company. The risk of default is considered minimal due to inherent systematic measures taken therein.

14.2.1 Concentration of credit risk

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

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The analysis below summarises the credit quality of the Company's investment in Government treasury bills as at June 30, 2011 and June 30, 2010:

	2011	2010
	(Rupees in thousand)	
Government guaranteed /AAA	49,531	-

The maximum exposure to credit risk before any credit enhancement as at June 30, 2011 is the carrying amount of the financial assets. None of these assets are impaired.

14.2.2 Bank balances

The Company kept its funds with banks having good credit rating. Currently the surplus funds are kept with banks having rating of AA-/A1+ and AA/A1+.

14.3 Liquidity risk

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

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

	As at June 30, 2011		
	Total	Upto three months	More than three months
	————— (Rupees in thousand) —————		
Liabilities			
Remuneration payable to Asset Manager	1,089	1,089	-
Accrued expenses and other liabilities	1,456	1,456	-
	2,545	2,545	-

	As at June 30, 2010		
	Total	Upto three months	More than three months
	————— (Rupees in thousand) —————		
Liabilities			
Remuneration payable to Asset Manager	1,050	1,050	-
Accrued expenses and other liabilities	4,110	4,110	-
	5,160	5,160	-

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15. FINANCIAL INSTRUMENTS BY CATEGORY

	As at June 30, 2011			Total
	Loans and receivables	Assets at fair value through profit or loss	Held to Maturity	
	(Rupees in thousand)			
Assets				
Bank balances	2,923	-	-	2,923
Short term investments	-	586,380	49,531	635,911
Dividend receivable	2,546	-	-	2,546
Income tax refundable	1,134	-	-	1,134
Mark-up accrued	49	-	-	49
Long-term deposit	2,575	-	-	2,575
Receivable against sale of investments	2,484	-	-	2,484
	<u>11,711</u>	<u>586,380</u>	<u>49,531</u>	<u>647,622</u>

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

	As at June 30, 2010			Total
	Loans and receivables	Assets at fair value through profit or loss	Held to Maturity	
	(Rupees in thousand)			
Assets				
Bank balances	97,700	-	-	97,700
Short term investments	-	536,162	-	536,162
Dividend receivable	1,400	-	-	1,400
Income tax refundable	1,134	-	-	1,134
Mark up receivable	758	-	-	758
Long term deposit	2,575	-	-	2,575
	<u>103,567</u>	<u>536,162</u>	<u>-</u>	<u>639,729</u>

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	As at June 30, 2010		
	Liabilities at fair value through profit or loss	Other financial liabilities	Total
	(Rupees in thousand)		
Liabilities			
Remuneration payable to Asset Manager	-	1,089	1,089
Accrued expenses and other liabilities	-	1,456	1,456
	<u>-</u>	<u>2,545</u>	<u>2,545</u>

16. CAPITAL MANAGEMENT

Asian Stocks Fund Limited is a closed end fund. The Company has a limited number of shares. Further public offering may be made at the Company's discretion. The Company's shares are not redeemable directly with the Company; shares are traded on the stock exchanges at a price which may be at a premium or discount to the shares net asset value.

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

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

17. FAIR VALUE OF FINANCIAL INVESTMENTS

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

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

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

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

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

As at June 30, 2011, equity investments were categorised in Level 1, and the investment in Government Treasury Bills was categorised in Level 2.

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18. ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS

The Board of Directors of the Company met on September 23, 2010, October 28, 2010, February 22, 2011 and April 21, 2011 during the year. The number of meetings attended by each director are set out below:

Name of Director	Number of meetings		
	Held *	Attended	Leave granted
Mr. Pervez Akhtar	4	4	-
Mr. Nihal Cassim	4	4	-
Mr. Abdul Rauf	4	3	1
Mr. Ali Altaf Saleem	4	4	-
Mr. Asif Ali	4	4	-
Mr. Asif Haider Mirza **	2	2	-
Mr. Muhammad Naguib	4	4	-
Mr. Syed Saif Ghaussuddin ***	2	-	2

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

** Resigned from directorship during the year.

*** Appointed as director during the year.

19. INVESTMENT COMMITTEE COMPOSITION

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

Name	Designation	Qualification	Experience
Mr. Nihal Cassim	Chief Executive	MBA (McGill University - Canada)	12 years
Ms. Tehmeena Khan	Company Secretary (SFL)	ACA (ICAEW)	8 years
Mr. M. Turab Hasny	Financial Accountant (SFL)	B. Com	8 years
Mr. Mahmood Riaz	Research Analyst	ACCA (Finalist)	1 year

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

20. EARNINGS PER SHARE 2011 2010 (Rupees in thousand)

20.1 Basic earnings per share

Net income for the year (with unrealised appreciation/(diminution))		84,308	81,090
Net income for the year (without unrealised appreciation/diminution))		65,243	123,519
Weighted average number of ordinary shares outstanding during the year	Number in thousand	90,000	90,000
Earnings per share (with unrealised appreciation/(diminution))	Rupees	0.94	0.90
Earnings per share (without unrealised appreciation/(diminution))	Rupees	0.72	1.37

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20.2 Diluted earnings per share

A diluted earnings per share has not been presented as the Company does not have any convertible instruments in issue as at June 30, 2011 and June 30, 2010 which would have any effect on the earnings per share if the option to convert is exercised.

21. TRANSACTIONS WITH CONNECTED PERSONS

Related parties include Safeway Fund Limited being the Asset Manager, Central Depository Company of Pakistan Limited being the Custodian, associated companies of the Asset Manager and key management personnel. The transactions with connected persons are in the normal course of business, at contracted rates and terms determined in accordance with market rates.

Transactions and balances with related parties are as follows:

	2011	2010
	(Rupees in thousand)	
21.1 Transactions during the year		
Remuneration to Asset Manager		
Safeway Fund Limited	13,179	13,101
Settlement and custody charges		
Central Depository Company of Pakistan Limited	410	656
Commission paid		
Cassim Investments (Private) Limited	192	718
Fees paid to Directors	140	126
Dividend paid		
Shakarganj Mills Limited	13,321	-
Crescent Steel & Allied Products Limited	7,429	-
Samba Bank Limited*	21,983	-
Safeway Fund Limited	7,775	-
Dividend income		
Crescent Steel & Allied Products Limited	3,270	2,180
Sale of marketable securities	-	86,498
Purchase of marketable securities	-	92,004
21.2 Balance outstanding at the year end		
Remuneration payable to Asset Manager		
Safeway Fund Limited	1,089	1,050
Settlement and custody charges payable to custodian		
Central Depository Company of Pakistan Limited	30	34

* Samba Bank Limited ceased to be a related party of the Company with effect from December 31, 2010.

22. PROFIT DISTRIBUTION AND APPROPRIATION

Subsequent to the year ended June 30, 2011, the Board of Directors of the Company declared a final distribution of Rs.0.66 per share, amounting to total income distribution of Rs. 60.984 million (2010:Rs.0.82 per share, amounting to total income distribution of Rs. 73.8 million) in its meeting held on September 23, 2011.

23. DATE OF AUTHORIZATION FOR ISSUE

These financial statements have been authorized for issue on September 23, 2011 by the Board of Directors of the Company.

24. GENERAL

- 24.1 Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of comparison. However no significant reclassification has been made during the year.
- 24.2 The bifurcation of undistributed income into realized and unrealised income at the beginning and end of the year as required by the NBFC Regulations has not been disclosed as such bifurcation is not practicable.
- 24.3 Figures have been rounded off to the nearest thousand Rupees.


Chief Executive


Director

**STATEMENT OF INCOME AND EXPENDITURE OF THE
ASSET MANAGER IN RELATION TO THE INVESTMENT
COMPANY FOR THE YEAR ENDED JUNE 30, 2011**

	2011	2010
	(Rupees)	
INCOME		
Asset Management Fee	13,179,134	13,101,431
OPERATING EXPENSE		
Administrative Expenses	11,761,308	12,542,816
Profit / (loss) before taxation	<u>1,417,826</u>	<u>558,615</u>

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

Proxy Form

I/We _____ of _____ (full address) being a member of ASIAN STOCKS FUND LIMITED hereby appoint _____ of _____ (full address) or failing him/her _____ of _____ (full address) as my/our proxy to attend and vote for me/us and on my/our behalf at the 17th Annual General Meeting of the Company to be held on October 24, 2011 and at any adjournment thereof.

Signed this _____ of _____ 2011.
(day) (date, month)

Signature of Member: _____

Folio Number: _____

Number of shares held: _____

Witnesses

1. _____
2. _____

Please affix
Revenue Stamp
of Rs. 5/-

Signature and Company Seal

Notes:

- 1) All members are entitled to attend and vote at the Meeting.
- 2) A member entitled to attend and vote at this meeting may appoint another member as his/her proxy to attend and vote.
- 3) The instrument of proxy and the power of attorney or other commission (if any) under which it is signed, or notorially certified copy of that power of attorney or authority to be effective must be deposited at the Registered Office of the company not less than 48 hours before the time for holding the Meeting.
- 4) Members are advised to bring their Computerized National Identity Cards along with CDC Participant ID and account number at the meeting venue
- 5) If any proxies are granted by any such shareholders, the same must be accompanied with attested copies of the National Identify Cards of the grantors and the signatures on the proxy form should be the same as that appearing on the Computerized National Identity Cards.
- 6) The Share transfer books of the Company will remain closed from October 17, 2011 to October 24, 2011 (both days inclusive). Physical transfers and CDC Transaction IDs received in order at the at the Registered Office of the Company up to the close of business on October 15, 2011 will be considered as on time for the determination of entitlement of shareholder to attend and vote at the meeting.
- 7) Members are required to immediately notify regarding any changes in their registered address.

_____ | _____