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GENERAL INFORMATION

Name of Company

Asian Stocks Fund Limited

Legal Status

Public limited company incorporated in Pakistan in 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)

Board of Directors

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

CFO & Company Secretary

Ms. Tehmeena Khan
Email: tehmeena.khan@safewayfund.com

Share Registrar

Corptech Associates (Pvt.) Limited
7/3-G, Mushtaq Ahmed Gormani Road, Gulberg
II, Lahore
Phone: 042 - 35788097-98
Fax: 042 - 35755215

Bankers

Bank Al Falah Limited
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

External Auditors

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

Audit Committee

Mr. Muhammad Naguib Saigal (Chairman)
Mr. Abdul Rauf
Mr. Asif Ali

DIRECTORS' REPORT

The Directors' of Asian Stocks Fund Limited are pleased to present the quarterly financial statements of the Company for the quarter ended September 30, 2011.

Financial and Operating Performance

The KSE-100 closed at 11,762 for the quarter, down from 12,496, a decrease of 5.87%. The Fund's NAV declined from Rs. 7.17 to Rs. 6.89 or a negative of 3.91% in the same period. The Fund had a loss for the quarter ended September 30, 2011 of Rs. 25.251m, compared to a profit in the corresponding period of the last year of Rs. 13.528m. The quarterly EPS of the Fund was a negative Rs. 0.28 compared to a positive Rs. 0.15 in the corresponding period. This performance is summarized below:-

	Rupees in Thousands	
	3 months July-Sept 2011	3 months July-Sept 2010
Income	(20,960)	17,414
Operating expenses	4,292	3,886
Income before tax	(25,251)	13,528
Taxation	-	-
Income for the period	(25,251)	13,528
Earning per share (Rupee)		
With un-realized (diminution) / appreciation on remeasurement of investments	(0.28)	0.15
Without un-realized (diminution) / appreciation on remeasurement of investments	0.03	0.05

An analysis of the performance of the Fund is discussed in the Fund Manager's Report. This report has been reviewed by the Board of Directors and forms an integral part of this Directors' Report.

Future Outlook

Despite slow private sector activity on the back of low liquidity, expensive cost of borrowing and a weakening currency, selected stock market values are still cheap and there is limited room for downside. Upward re-pricing may be quicker as a lower inflation expectation in FY12 has led to a cut in the discount rate to 12%. While banks may suffer due to lower spreads, they may reconfigure their portfolio mix and increase corporate lending hence increasing spreads and providing liquidity to the private sector. On the back of this we are optimistic in cements due to rebuilding requirements within Pakistan and Afghanistan. We continue to like energy companies that offer US dollar linked revenues and strong to stable cash flows. Our emphasis will remain on companies that are next in line to market leaders due to significant valuation differences.

Mutual Fund Ranking

JCR-VIS Credit Rating Company Limited assessed the Company's 1 year, 2 years and 3 years performance ranking at 'MFR 3 Star' as at December 31, 2010.

Dividend

On approval of the Annual Audited Financial Statements for the financial year ended June 30, 2011, the Board of Directors recommended the distribution of a dividend of Rs. 0.66 per share to the shareholders of the Fund. This will be approved by the shareholders in the 17th Annual General Meeting on October 24, 2011.

Acknowledgement

The Board places on record its thanks to the regulatory authorities, the stock exchanges, the Mutual Funds Association of Pakistan, the Asset Manager, the Custodian and the bankers of the Fund for their continued cooperation and services. The Board also extends its gratitude to its shareholders for their trust reposed in us.

On behalf of the Board of Directors



Nihal Cassim
Chief Executive

Lahore
October 24, 2011

FUND MANAGER'S REPORT

Investment Philosophy & Strategy

The investment objective of the Fund is to provide its shareholders a vehicle for long-term capital appreciation. The investment philosophy and strategy, risk management policies and corporate governance policies have been more fully described in the 2011 Annual Report.

Market Performance and Results of Operations

During the quarter ended September 30, 2011, the KSE-100 index declined by 734 points or a negative of 5.87% to close at 11,762 while the KSE-30 index declined by 3.16% to close at 11,221. The Fund's NAV declined from Rs. 7.17 to Rs. 6.89 or a negative of 3.91% during the same period. The Fund's earning for the quarter ended September 30, 2011 was a negative of Rs. 25.251m compared to a positive of Rs. 13.528m in the prior year. The earnings for the quarter represented a negative quarterly EPS of Rs. 0.28.

The quarter's stock market performance was dominated by events in the global economy. The US downgrade by S&P followed by heightened worries of default by Greece, Italy, Spain and Ireland led global stock markets to fall sharply to new lows for CY2011. The KSE-100 being down by 5.87% was one of the better markets in the world. On the local front there was chaos as well. Pakistan dropped out of the IMF program and the August 2011 flood in Sindh and violence in Karachi led to losses in agriculture, transport delays and plant shut downs due to labor absences. Despite these disturbing events investors responded to valuations in the light of good corporate results and dividend payouts, expectations that a global slowdown would mean lower oil prices hence giving relief to Pakistan's trade deficits, and lastly due to lower expected inflation in FY12.

However, we note that much of the investments came in shares of fertilizer companies whose shares rallied between 10% and 44%. This was due to a continuing favorable environment in fertilizer pricing while still receiving inputs at extremely subsidized prices. Much of your Fund's underperformance versus its peer group is due to no investments in this sector as we believed that the government would respond to this abnormal dynamic. We continue to hold this view.

Future Outlook

Despite slow private sector activity on the back of low liquidity, expensive cost of borrowing and a weakening currency, we continue to believe that selected stock market values are still cheap and there is limited room for further downside. Upward re-pricing may be quicker than we anticipated as a lower inflation expectation in FY12 has led SBP to cut discount rates to 12%. Banks may suffer due to lower spreads with this rate cut but we think that they will reconfigure their portfolio mix and increase corporate lending hence increasing spreads and providing liquidity to the private sector. On the back of this we are optimistic in cements due to rebuilding requirements within Pakistan and Afghanistan. We continue to like energy companies that offer US dollar linked revenues and strong to stable cash flows. Our emphasis will remain on companies that are next in line to market leaders due to significant valuation differences.

Acknowledgement

We extend our gratitude to the stock exchanges, the regulators, CDC, NCCPL and the Board of Asian Stocks Fund Limited for their continued guidance and support, and to our team for their hard work and dedication.

For and on behalf of Safeway Fund Limited



NIHAL CASSIM
Chief Executive Officer

**CONDENSED INTERIM STATEMENT OF
ASSETS AND LIABILITIES (UN-AUDITED)
AS AT SEPTEMBER 30, 2011**

	Note	(Un-audited) September 30, 2011	(Audited) June 30, 2011
----- Rupees in '000 -----			
ASSETS			
NON CURRENT ASSETS			
Long term deposits		2,575	2,575
CURRENT ASSETS			
Bank balances		46,156	2,923
Prepayments and other receivable		483	49
Short term investments	4	568,112	635,911
Dividend receivable		3,417	2,546
Receivable against sale of investments		-	2,484
Income tax refundable		1,134	1,134
		<u>619,303</u>	<u>645,047</u>
TOTAL ASSETS		<u>621,878</u>	<u>647,622</u>
CURRENT LIABILITIES			
Remuneration payable to Asset Manager		1,008	1,089
Accrued expenses and other liabilities		1,044	1,456
		<u>2,052</u>	<u>2,545</u>
NET ASSETS		<u>619,826</u>	<u>645,077</u>
REPRESENTED BY :			
Authorized share capital 100,000,000 (June 30, 2011: 100,000,000) ordinary shares of Rs.10 each		<u>1,000,000</u>	<u>1,000,000</u>
Issued, subscribed and paid-up share capital 90,000,000 (June 30, 2011: 90,000,000) ordinary shares of Rs.10 each		<u>900,000</u>	<u>900,000</u>
Revenue reserve			
Unappropriated loss		(280,174)	(254,923)
CONTINGENCIES AND COMMITMENTS	5	<u>-</u>	<u>-</u>
SHAREHOLDERS' EQUITY		<u>619,826</u>	<u>645,077</u>
Rupees			
Net asset value per share		<u>6.89</u>	<u>7.17</u>

The annexed notes 1 to 9 form an integral part of these financial statements.



Chief Executive



Director

**CONDENSED INTERIM INCOME
STATEMENT (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2011**

	Note	July to September 2011	July to September 2010
----- Rupees in '000 -----			
INCOME			
Net capital gain on sale of investments		820	2,228
Net unrealized (diminution) / appreciation on investments at fair value through profit or loss		(28,084)	8,881
Dividend income		4,964	3,648
Return on Government treasury bills		469	-
Profit on bank account		870	2,656
		(20,960)	17,413
OPERATING EXPENSES			
Remuneration to Asset Manager		3,591	3,293
Annual fee - Securities and Exchange Commission of Pakistan		147	156
Settlement and custody charges		155	143
Bank charges		1	2
Professional fee and subscriptions		89	75
Auditors' remuneration		116	122
Directors' meeting attendance fee		40	-
Legal and Professional charges		-	28
Brokerage and federal excise duties		152	66
		4,292	3,885
(Loss) / income before tax		(25,251)	13,528
Taxation	6	-	-
(Loss) / income for the period		(25,251)	13,528
Earnings per share (Rupees):			
With unrealized (diminution) / appreciation on remeasurement of investments		(0.28)	0.15
Without unrealized (diminution) / appreciation on remeasurement of investments		0.03	0.05

The annexed notes 1 to 9 form an integral part of these financial statements.



Chief Executive



Director

**CONDENSED INTERIM STATEMENT OF
COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2011**

	July - September 2011	July - September 2010
	----- Rupees in '000 -----	
(Loss) / income for the period	(25,251)	13,528
Other comprehensive income for the period	-	-
Total comprehensive (loss) / income for the period	<u>(25,251)</u>	<u>13,528</u>

The annexed notes 1 to 9 form an integral part of these financial statements.


Chief Executive


Director

**CONDENSED INTERIM STATEMENT OF MOVEMENT IN
EQUITY AND RESERVE - 'PER SHARE' (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2011**

	July to September 2011	July to September 2010
	----- Rupees in '000 -----	
Net assets per share as at July 01, 2011	7.17	7.04
Net capital gain on sale of marketable securities	0.01	0.02
Net unrealized (diminution) / appreciation on remeasurement of equity investments at fair value through profit or loss	(0.31)	0.10
Other net operating income for the period	0.02	0.03
Net (loss) / income for the period	(0.28)	0.15
Net assets per share as at September 30, 2011	6.89	7.20

The annexed notes 1 to 9 form an integral part of these financial statements.



Chief Executive



Director

**CONDENSED INTERIM CASH FLOW
STATEMENT (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2011**

	July to September 2011	July to September 2010
	----- Rupees in '000 -----	
CASH FLOW FROM OPERATING ACTIVITIES		
(Loss) / income before tax	(25,251)	13,528
Adjustments:		
- Unrealized diminution / (appreciation) on remeasurement of investments at fair value through profit or loss	28,084	(8,881)
- Dividend income	(4,964)	(3,648)
- Remuneration of Asset Manager	3,591	3,293
	<u>1,459</u>	<u>4,291</u>
Decrease in current assets		
- Short term investments	39,716	15,453
- Receivable against sale of investments	2,484	-
- Prepayments and other receivables	(434)	(253)
	<u>41,766</u>	<u>15,200</u>
Decrease in liabilities		
- Accrued expenses and other liabilities	(412)	(3,433)
Cash generated from operations	<u>42,813</u>	<u>16,058</u>
- Dividend received	4,092	3,142
- Remuneration of Asset Manager	(3,672)	(3,267)
Net cash generated from operating activities	<u>43,233</u>	<u>15,933</u>
Cash and cash equivalents at the beginning of the period	<u>2,923</u>	<u>97,700</u>
Cash and cash equivalents at the end of the period	<u><u>46,156</u></u>	<u><u>113,633</u></u>

The annexed notes 1 to 9 form an integral part of these financial statements.



Chief Executive



Director

**CONDENSED INTERIM DISTRIBUTION
STATEMENT (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2011**

	July - September 2011	July - September 2010
	----- Rupees -----	
Unappropriated loss brought forward	(254,923)	(265,431)
(Loss) / income for the period	(25,251)	13,528
Unappropriated loss carried forward	<u>(280,174)</u>	<u>(251,903)</u>

The annexed notes 1 to 9 form an integral part of these financial statements.


Chief Executive


Director

**CONDENSED STATEMENT OF CHANGES
IN EQUITY (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2011**

	Issued, subscribed and paid-up capital	Revenue reserve	Total
		Unappropriated (loss)	
----- Rupees in '000 -----			
Balance as at June 30, 2010	900,000	(265,431)	634,569
Total comprehensive income for the period	-	13,528	13,528
Balance as at September 30, 2010	<u>900,000</u>	<u>(251,903)</u>	<u>648,097</u>
Balance as at June 30, 2011	900,000	(254,923)	645,077
Total comprehensive loss for the period	-	(25,251)	(25,251)
Balance as at September 30, 2011	<u>900,000</u>	<u>(280,174)</u>	<u>619,826</u>

The annexed notes 1 to 9 form an integral part of these financial statements.


Chief Executive


Director

**NOTES TO THE INTERIM FINANCIAL
INFORMATION (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 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 performance 1 year, 2 years and 3 years 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 condensed interim financial statements has 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.

The disclosures made in these condensed interim financial information, however, are limited based on the requirements of the International Accounting Standard 34, Interim Financial Reporting. These condensed interim financial statements are unaudited and are being circulated to the shareholders in accordance with the requirements of section 245 of the Companies Ordinance, 1984 and requirements of section 52(b) of the NBFC Regulations.

2.2 Basis of measurement

These condensed interim 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. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted and methods of computation followed in the preparation of these condensed interim financial statements are same as those for the preceding annual statements for the year ended June 30, 2011.

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

Name of the Investee Company	No of shares'				Balance as at September 30, 2011			Percentage in relation to				
	As at July 01, 2011	Purchases during the period	Bonus / rights	Sales during the period	As at September 30, 2011	Cost	Carrying cost	Market Value	Appreciation / (diminution)	Market values as a percentage of net assets	Market value as a percentage of paid up capital of the investee company	Market values as a percentage of total market value of investments
Shares of listed companies - Fully paid ordinary shares of Rs 10 each unless stated otherwise												
RELATED PARTIES												
Food Producers												
Shakarganj Mills Limited	2,108,319	-	-	-	2,108,319	15,968	13,367	10,331	(3,036)	1.67	3.03	1.82
Shakarganj Mills Limited - Cum. Red. Pref.	167,500	-	-	-	167,500	1,761	410	213	(198)	0.03	0.48	0.04
						17,729	13,777	10,543	(3,234)	1.70	3.51	1.86
Industrial Metal and Mining												
Crescent Steel and Allied Products Limited	1,090,000	-	-	-	1,090,000	24,810	28,471	26,073	(2,398)	4.21	1.93	4.59
International Industries Limited	300,000	-	-	-	300,000	15,045	14,850	12,012	(2,838)	1.94	0.25	2.11
International Steels Limited	1,241,783	-	-	-	1,241,783	17,472	16,901	15,274	(1,627)	2.46	0.25	2.69
						57,327	60,221	53,359	(6,863)	8.61	2.43	9.39
Food Producers												
Pakistan Oilfields Limited	200,000	-	-	-	200,000	47,095	71,802	73,672	1,870	11.89	0.08	12.97
						47,095	71,802	73,672	1,870	11.89	0.08	12.97
OTHERS												
Fixed Line Telecommunication												
Pakistan Telecommunication Company Limited	403,191	400,000	-	-	803,191	11,520	9,994	9,333	(661)	1.51	0.02	1.64
Wateen Telecom Limited	1,000,000	-	-	-	1,000,000	10,000	2,080	1,560	(520)	0.25	0.16	0.27
						21,520	12,074	10,893	(1,181)	1.76	0.18	1.92
Chemicals												
Engro Corporation Limited	-	101,700	-	-	101,700	-	-	-	-	0.00	0.00	0.00
Banks												
Askari Bank Limited	1,012,320	-	-	-	1,012,320	11,959	11,014	9,404	(1,610)	1.52	0.14	1.66
Bank Al Falah Limited	6,352,691	-	-	-	6,352,691	76,110	60,795	71,658	10,863	11.56	0.47	12.61
National Bank of Pakistan Limited	-	200,600	-	200,600	-	-	3,417	3,097	(320)	0.00	0.00	0.00
Samba Bank Limited	1,998,008	-	-	-	1,998,008	6,814	6,814	18,338	600	3.06	0.49	3.33
Soneri Bank Limited	2,417,370	1,520,000	-	-	3,937,370	19,727	18,338	18,939	600	3.06	0.49	3.33
United Bank Limited	1,031,471	-	-	-	1,031,471	57,573	63,858	62,033	(1,826)	10.01	0.08	10.92
						172,182	157,423	165,131	7,708	26.64	1.32	29.07

Name of the Investee Company	No of shares'				Balance as at September 30, 2011			Percentage in relation to				
	As at July 01, 2011	Purchases during the period	Bonus / rights	Sales during the period	As at September 30, 2011	Cost	Carrying cost	Market Value	Appreciation / (diminution)	Market value as a percentage of net assets	Market value as a percentage of paid up capital of the investee company	Market value as a percentage of total market value of investments
----- Rupees in '000 -----												
Shares of listed companies - Fully paid ordinary shares of Rs 10 each unless stated otherwise												
Automobile & Parts												
Pak Suzuki Motor Company Limited	131,864	-	-	-	131,864	26,003	8,248	9,039	791	1.46	0.16	1.59
						26,003	8,248	9,039	791	1.46	0.16	1.59
Oil and Gas												
Attock Petroleum Limited	-	4,134	-	4,134	-	-	-	-	-	0.00	0.00	0.00
Pakistan Petroleum Limited	138,000	-	13,800	-	151,800	24,058	28,576	28,777	201	4.64	0.01	5.07
Pakistan State Oil Company Limited	228,091	-	-	-	228,091	66,951	60,348	58,067	(2,281)	9.37	0.13	10.22
						91,009	88,924	86,844	(2,080)	14.01	0.14	15.29
Financial Services												
Escorts Investment Bank Limited	62,150	-	-	-	62,150	243	120	93	(27)	0.02	0.14	0.02
Innovative Investment Bank Limited	20,000	-	-	-	20,000	-	-	-	-	0.00	0.00	0.00
Invest Capital Investment Bank Limited	467,532	-	-	-	467,532	489	150	136	(14)	0.02	0.16	0.02
						733	270	229	(41)	0.04	0.30	0.04
Construction and Materials												
D.G. Khan Cement Company Limited	2,997,393	-	-	-	2,997,393	83,653	68,910	61,656	(7,254)	9.95	0.68	10.85
						83,653	68,910	61,656	(7,254)	9.95	0.68	10.85
Industrial Transportation												
Pakistan National Shipping Corporation Limited	44,100	-	-	-	44,100	2,524	1,058	872	(187)	0.14	0.03	0.15
						2,524	1,058	872	(187)	0.14	0.03	0.15

Name of the Investee Company	No. of shares'				Balance as at September 30, 2011			Percentage in relation to				
	As at July 01, 2011	Purchases during the period	Bonus / rights	Sales during the period	As at September 30, 2011	Cost	Carrying cost	Market Value	Appreciation / (diminution)	Market value as a percentage of net assets	Market value as a percentage of paid up capital of the investee company	Market value as a percentage of total market value of investments
Shares of listed companies - Fully paid ordinary shares of Rs 10 each unless stated otherwise												
Personal Goods												
Nishat Mills Limited	695,314	50,000	-	50,000	695,314	43,321	34,475	33,438	(1,037)	5.39	0.20	5.89
The Crescent Textile Mills Limited	1,295,031	-	-	-	1,295,031	35,934	20,164	14,919	(5,245)	2.41	2.63	2.63
Thal Limited (Ordinary share of Rs.5 each)	397,200	-	-	-	397,200	29,265	40,133	36,102	(4,032)	5.82	0.65	6.35
						108,520	94,771	84,458	(10,313)	13.63	3.48	14.87
Media												
Southern Networks Limited	50,000	-	-	-	50,000	489	-	-	-	0.00	0.10	0.00
						489	-	-	-	0.00	0.10	0.00
Electricity												
Altern Energy Limited	2,056,821	-	-	-	2,056,821	18,511	18,717	11,415	(7,302)	1.84	0.60	2.01
						18,511	18,717	11,415	(7,302)	1.84	0.60	2.01
Non Life Insurance												
Beema Pakistan Company Limited	200,000	-	-	-	200,000	518	-	-	-	0.00	0.48	0.00
						518	-	-	-	0.00	0.48	0.00
Total - September 30, 2011	28,106,149	2,276,434	13,800	356,434	30,039,949	647,813	596,196	568,112	(28,084)			
Total - June 30, 2011	24,025,325	7,701,756	2,885,330	6,506,262	28,106,149	638,633	567,313	586,380	19,065			

- 4.1 Innovative Investment Bank Limited (formerly International Housing Finance Limited) (IIHL) 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 IIHL has been recorded at NIL value, being the carrying value of investment in CSIBL shares at the time of derecognition. SECP has passed an order for liquidation of IIHL.
- 4.2 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.
- 4.3 The fair value of investment in securities of Southern Networks Limited (SNL) and Beema Pakistan Company Limited (BEEM) 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 BEEM have been recorded at NIL value.

5. CONTINGENCIES AND COMMITMENTS

5.1 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.

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. 0.038 as of September 30, 2011.

5.2 Commitment

There were no commitments as of the balance sheet date.

6. PROVISION FOR TAXATION

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

7 TRANSACTION 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 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.

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July - **July -**
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2011 **2010**
 ----- Rupees '000 -----

Transactions and balances with related parties are as follows:

7.1 Transactions during the period

Remuneration to Asset Manager		
Safeway Fund Limited	3,096	3,293
Settlement and custody charges		
Central Depository Company of Pakistan Limited	104	97
Commission Paid		
Cassim Investments (Private) Limited	41	15
Fees paid to Directors	40	-
Dividend income		
Crescent Steel and Allied Products Limited	1,635	1,090

7.2 Balance outstanding at the period end

Remuneration payable to Asset Manager		
Safeway Fund Limited	1,008	1,076
Settlement and custody charges payable to Custodian		
Central Depository Company of Pakistan Limited	27	43

8. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on October 24, 2011 by the Board of Directors of the Company.

9. GENERAL

- 9.1 Figures have been rounded off to the nearest thousand rupees.
- 9.2 Corresponding figures have been re-arranged wherever necessary, for comparison purposes. However, no significant re-arrangements have been made.
- 9.3 The bifurcation of undistributed income into realized and unrealized income at the beginning and end of the period as required by the NBFC Regulations has not been disclosed as such bifurcation is not practicable.



Chief Executive



Director