

Director`s Report

The Directors of SETHI SECURITIES (SMC-PVT.) LTD are pleased to present the Director`s report of the company with financial statement for year ended June 30, 2011.

Financial Results

The Board`s Report based on the financial statements of the company. (Financial statement attached).

Summary of Financial result:-

| | |
|-------------------------------|---------|
| Brokerage income (in Rupees): | 1283711 |
| Expenses (in Rupees): | 3247474 |
| Other income (in Rupees): | 378989 |
| Earnings / (Loss) per share: | (0.32) |

Acknowledgements

An acknowledgement to all with whose help, cooperation and hard work the Company in future will be able to achieve the results.

For and on behalf of the Board of Directors

Place: Lahore

Date: 27-9-11
Resolution Passed



[Handwritten Signature]
Signing as per Board

AUDITORS' REPORT TO THE MEMBERS


We have audited the annexed balance sheet of **Sethi Securities (SMC-Pvt.) Limited** as at June 30, 2011 and the related profit and loss account together with notes forming part thereof, 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 requirements of the Companies Ordinance, 1984. 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;
- (b) in our opinion:
 - i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984 and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
 - ii) the expenditure incurred during the year was for the purpose of the Company's business; and
 - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity, together with the notes forming part thereof conform with the information required by the Companies Ordinance, 1984, 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 loss, its cash flow and changes in equity for the year then ended; and
- (d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

Lahore
Dated: September 22, 2011

Kaleem
KALEEM AND COMPANY
CHARTERED ACCOUNTANTS


SETHI SECURITIES (SMC-PVT) LIMITED
BALANCE SHEET AS AT JUNE 30, 2011

| <u>CAPITAL & LIABILITIES</u> | <u>NOTE</u> | <u>2011</u> <u>RUPEES</u> | <u>2010</u> <u>RUPEES</u> | <u>ASSETS</u> | <u>NOTE</u> | <u>2011</u> <u>RUPEES</u> | <u>2010</u> <u>RUPEES</u> |
|---------------------------------------------------------|-------------|------------------------------|------------------------------|----------------------------------------------------------|-------------|------------------------------|------------------------------|
| Share Capital and Reserves | | | | Non-Current Assets | | | |
| Authorized Capital | | | | Property, Plant & Equipment | 6 | 12,095,349 | 12,508,783 |
| 7,000,000 Ordinary shares of Rs. 10 each | | <u>70,000,000</u> | <u>70,000,000</u> | Intangible Fixed Assets (Membership Cards & Licenses) | 7 | 40,000,000 | 40,000,000 |
| Issued, Subscribed & Paid-up Capital | | | | | | | |
| 7,000,000 Ordinary shares of Rs. 10 each | 3 | 70,000,000 | 70,000,000 | | | | |
| Un-appropriated Loss | | <u>(8,620,425)</u> | <u>(6,345,824)</u> | | | | |
| | | 61,379,575 | 63,654,176 | Long Term Deposits | 8 | 930,000 | 830,000 |
| Current Liabilities | | | | Current Assets | | | |
| Trade Creditors, Accrued Expenses and Other Payables | 4 | 1,797,413 | 4,117,465 | Trade Debtors | 9 | 4,840,887 | 7,365,720 |
| | | | | Loans & Advances | 10 | 452,901 | 652,714 |
| | | | | Short Term Investments | 11 | 4,157,794 | 4,847,621 |
| | | | | Advance Taxes | | 45,622 | 29,550 |
| | | | | Cash & Bank Balances | 12 | 654,435 | 1,537,253 |
| | | | | | | 10,151,639 | 14,432,858 |
| Contingencies & Conunitments | 5 | - | - | | | | |
| | | <u>63,176,988</u> | <u>67,771,641</u> | | | <u>63,176,988</u> | <u>67,771,641</u> |

The annexed notes form an integral part of these accounts.



 CHIEF EXECUTIVE

 DIRECTOR



SETHI SECURITIES (SMC-PVT) LIMITED
PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 2011

| | <u>NOTE</u> | <u>2011</u> <u>RUPEES</u> | <u>2010</u> <u>RUPEES</u> |
|------------------------------------------|-------------|------------------------------|------------------------------|
| Brokerage Income | 13 | 1,283,711 | 2,003,935 |
| Deficit on Re-measurement of Investments | | (689,827) | (678,718) |
| | | 593,884 | 1,325,217 |
| Administrative and Selling Expenses | 14 | 3,242,524 | 3,587,483 |
| Financial Charges | 15 | 4,950 | 6,116 |
| | | 3,247,474 | 3,593,599 |
| | | (2,653,590) | (2,268,382) |
| Other Income | 16 | 378,989 | 448,885 |
| Loss Before Taxation | | (2,274,601) | (1,819,497) |
| Provision for Taxation | | - | - |
| Loss After Taxation | | (2,274,601) | (1,819,497) |
| Un-appropriated Losses b/f | | (6,345,824) | (4,526,327) |
| Loss carried to Balance Sheet | | <u>(8,620,425)</u> | <u>(6,345,824)</u> |

The annexed notes form an integral part of these accounts.



 CHIEF EXECUTIVE

 DIRECTOR



SETHI SECURITIES (SMC-PVT) LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2011

| | <u>Share Capital RUPEES</u> | <u>Accumulated (Loss) RUPEES</u> | <u>Total RUPEES</u> |
|-------------------------------|-------------------------------------|------------------------------------------|-------------------------|
| Balance as on 30th June, 2009 | 70,000,000 | (4,526,327) | 65,473,673 |
| Net Loss for the year | | (1,819,497) | (1,819,497) |
| Balance as on 30th June, 2010 | <u>70,000,000</u> | <u>(6,345,824)</u> | <u>63,654,176</u> |
| Net Loss for the year | | (2,274,601) | (2,274,601) |
| Balance as on 30th June, 2011 | <u>70,000,000</u> | <u>(8,620,425)</u> | <u>61,379,575</u> |

The annexed notes form an integral part of these accounts.



CHIEF EXECUTIVE

DIRECTOR



SETHI SECURITIES (SMC-PVT) LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2011

| <u>CASH FLOW FROM OPERATING ACTIVITIES</u> | <u>2011</u> <u>RUPEES</u> | <u>2010</u> <u>RUPEES</u> |
|--------------------------------------------------------|--------------------------------------------|--------------------------------------------|
| Loss Before Taxation | (2,274,601) | (1,819,497) |
| Adjustments for Non Cash Items: | | |
| Depreciation | 413,434 | 465,350 |
| | 413,434 | 465,350 |
| Cash Flow before changes in working capital | (1,861,167) | (1,354,147) |
| Working Capital Changes: | | |
| (Increase) / Decrease in Current Assets: | | |
| Trade Debts - Considered Good | 2,524,833 | 631,613 |
| Loan & Advances | 199,813 | 386,911 |
| Short Term Investment | 689,827 | 678,718 |
| | 3,414,473 | 1,697,242 |
| Increase / (Decrease) in Current Liabilities: | | |
| Trade & Other Payables | (2,320,052) | (2,276,473) |
| | (2,320,052) | (2,276,473) |
| Net Cash Generated from/ (used in) Operations | (766,746) | (1,933,378) |
| Income Tax Paid | (16,072) | (25,318) |
| | (16,072) | (25,318) |
| Net Cash Generated from/(used in) Operating Activities | (782,818) | (1,958,696) |
| <u>CASH FLOW FROM INVESTING ACTIVITIES</u> | | |
| Long Term Deposits | (100,000) | - |
| Purchase of Fixed Assets | | (185,364.0) |
| Net Cash Used in Investing Activities | (100,000) | (185,364) |
| <u>CASH FLOW FROM FINANCING ACTIVITIES</u> | | |
| Net Cash Generated from/(used in) Financing Activities | - | - |
| Net Increase in Cash and Cash Equivalents | (882,818) | (2,144,060) |
| Cash and Cash Equivalents at the Beginning of the Year | 1,537,253 | 3,681,313 |
| Cash and Cash Equivalents at the End of the Year | 654,435 | 1,537,253 |

The annexed notes form an integral part of these accounts



CHIEF EXECUTIVE



SETHI SECURITIES (SMC-PVT) LTD
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED JUNE 30, 2011

1) STATUS AND ACTIVITIES

Sethi Securities (SMC-Pvt.) Limited was incorporated in Pakistan at Lahore under Companies Ordinance 1984 on July 26, 2007. Principal office of the Company is situated at Room No.107, 1st floor, Lahore Stock Exchange, Lahore. The Company is a corporate member of Lahore Stock Exchange (Guarantee) Limited. Principal activities of the company are acting as broker and trading in stock and securities.

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1) Statement of Compliance

These financial statements have been prepared in accordance with the approved accounting standards, as applicable in Pakistan and the requirements of the Companies Ordinance, 1984. Approved accounting standards comprise of such international accounting standards as notified under the provisions of the Companies Ordinance, 1984. Wherever the requirements of Companies Ordinance, 1984 or directives issued by the Securities and Exchange Commission of Pakistan differ with requirements of these standards, the requirements of the Companies Ordinance, 1984 or the said directives take precedence.

2.2) Accounting Convention

These accounts have been prepared under the historical cost convention except for securities available for sale and held for trading which are stated at fair values.

2.3) Taxation

The charge for current taxation is based on taxable income all the current rate of taxation after taking into account applicable credit, rebates and exemption available if any or minimum taxation at the rate of one percent of the turnover whichever higher. However, for income covered under final tax regime, taxation is based on applicable tax rates under such regime.

2.4) Provisions

Provisions are recognized in the balance sheet when the Company has a present, legal or constructive obligation as a result of event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and reliable estimate of the amount of obligation can be made.

2.5) Trade debts and other receivables

Trade debts and other receivables are carried at original invoice amount less an estimate made for doubtful receivable based on review of outstanding amounts at the year end. Balance considered bad and irrecoverable are written off when identified.

2.6) Tangible Fixed Assets and Depreciation

These are stated at cost less accumulated depreciation. Cost of operating fixed assets consist of historical cost and attributable expenses in bringing the assets to its working condition.

The depreciation on Property, Plant & Equipment is charged on reducing balance method at the rates specified in the fixed asset schedule. Acquisitions during the year are depreciated proportionately, from date of purchase to accounting year end. Depreciation is also charged on assets sold during the year proportionately. Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalized. Gain or loss on disposal of tangible fixed assets is recognized in current year's income statement.

2.7) Financial instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provision of the instruments and de-recognized when the Company loses control of the contractual right that comprise the financial assets and in case of financial liability when obligation specified in the contract is discharged, cancelled or expired. A financial assets and financial liability is offset and the net amount reported in the balance sheet, if the Company has a legal enforceable right to set off transaction.

2.8) Investments

Investments available for sale

As per IAS 39 investment which are intended to be held for an indefinite period of time but may be sold in response to the need for liquidity are classified as available for sale. After initial recognition, these are stated at fair values (except for unquoted investment where active market does not exist) with any resulting gains and losses being taken directly to equity until the investment is disposed or impaired. At the time of disposal, the respective surplus or deficit is transferred to income currently.

Unquoted investments, where active market does not exist, are carried at cost and checked for impairment at each year end, impairment loss, if any, is taken to income currently.

Held for trading

Investment, which are acquired principally for the purpose of generating a profit from short term fluctuations in prices or dealer margin, are classified as held for trading. These are stated at their fair value with any resulting gains or losses directly in the profit and loss account.

For investment in listed securities, closing quotation of stock exchange on last working day of the accounting year is used for determining fair value. While in case of unquoted securities, break up value calculated on the basis of latest audited financial statements is considered.

All investment are de-recognized when the rights to receive cash flows from the investment have expired or have been transferred and the Company has transferred substantially all risk and rewards of ownership.

2.9) Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business. Brokerage, consultancy and advisory fee, are recognized as and when services are provided. Income from deposits with financial institutions is recognized on a time proportion basis that takes into account an effective yield on the deposits. Dividend income is recognized when the right to receive payment is established. Income from trading activities of securities is recognized on the date of transaction.

2.10) Underwriting commission

Underwriting commission is recognized when the agreement is executed.

2.11) Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents consist of cash in hand and balances with banks.

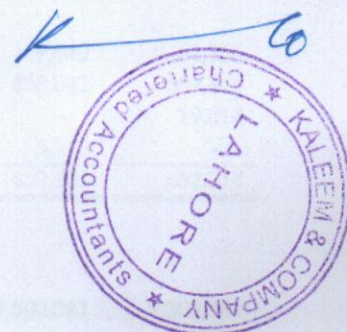
| | <u>2011</u> | <u>2010</u> |
|----------------------------------------------------------------------------|-------------------|-------------------|
| | <u>RUPEES</u> | <u>RUPEES</u> |
| 3 <u>ISSUED, SUBSCRIBED AND PAID UP CAPITAL</u> | | |
| 7,000,000 Ordinary Shares of Rs. 10/- Each Issued as Fully Paid in Cash | <u>70,000,000</u> | <u>70,000,000</u> |
| 4 <u>TRADE CREDITORS, ACCRUED EXPENSES AND OTHER PAYABLES</u> | | |
| Trade Creditors | 1,711,027 | 4,019,154 |
| Accrued Expenses | 41,820 | 35,000 |
| Dividend of Companies | 39,359 | 26,551 |
| Taxes Payable | 5,207 | - |
| Other Payables | - | 36,760 |
| | <u>1,797,413</u> | <u>4,117,465</u> |

5 CONTINGENCIES AND COMMITMENTS

There were no known contingencies and commitments as at Jun 30, 2011 (June 30, 2010 : nil).

6) TANGIBLE ASSETS

| Particulars | C O S T | | | Rate % | DEPRECIATION | | | W.D.V. |
|----------------------|---------------------|---------------------------|---------------------|-----------|---------------------|-----------------|---------------------|---------------------|
| | As At 01-07-2010 | Additions/ (Deletions) | As At 30-06-2011 | | As At 01-07-2010 | For The Year | As On 30-06-2011 | As At 30-06-2011 |
| Rooms and Booths | 8,500,000 | - | 8,500,000 | - | - | - | - | 8,500,000 |
| Vehicles | 4,600,000 | - | 4,600,000 | 10 | 874,000 | 372,600 | 1,246,600 | 3,353,400 |
| Office Equipments | 231,014 | - | 231,014 | 10 | 27,210 | 20,380 | 47,590 | 183,424 |
| Furniture & Fixtures | 20,000 | - | 20,000 | 10 | 3,800 | 1,620 | 5,420 | 14,580 |
| Computers | 128,120 | - | 128,120 | 30 | 65,341 | 18,834 | 84,175 | 43,945 |
| Rupees 2011 | 13,479,134 | - | 13,479,134 | | 970,351 | 413,434 | 1,383,785 | 12,095,349 |
| Rupees 2010 | 13,293,770 | 185,364 | 13,479,134 | | 505,001 | 465,350 | 970,351 | 12,508,783 |



| | <u>2011</u> <u>RUPEES</u> | <u>2010</u> <u>RUPEES</u> |
|-------------------------------------------------|------------------------------|------------------------------|
| 7 MEMBERSHIP CARDS & LICENSES | | |
| Lahore Stock Exchange (Guarantee) Limited | <u>40,000,000</u> | <u>40,000,000</u> |
| 8 LONG TERM DEPOSITS | | |
| Advance Against Building | 100,000 | 100,000 |
| Deposit with Lahore Stock Exchange | 250,000 | 250,000 |
| Deposit with Central Depository Company | 100,000 | 100,000 |
| Deposit with National Clearing Company Limited | 300,000 | 200,000 |
| Deposit for Future Trading | 150,000 | 150,000 |
| Clearing House Deposit | 30,000 | 30,000 |
| | <u>930,000</u> | <u>830,000</u> |
| 9 TRADE DEBTORS | | |
| Unsecured but Considered Good | <u>4,840,887</u> | <u>7,365,720</u> |
| 10 ADVANCES & OTHER RECEIVABLES | | |
| Advances to Staff | 9,649 | 64,255 |
| Advances Others-SNM Securities | 438,042 | 569,445 |
| Sales Tax Refundable | - | 19,014 |
| Advance Sui Gas Bill | 5,210 | - |
| | <u>452,901</u> | <u>652,714</u> |
| 11 SHORT TERM INVESTMENT | | |
| Quoted Short Term Investment | 9,502,381 | 9,502,381 |
| Less: Deficit on Re-measurement of Investments: | | |
| Opening | 4,654,760 | 3,976,042 |
| For the Year | 689,827 | 678,718 |
| | <u>5,344,587</u> | <u>4,654,760</u> |
| | <u>4,157,794</u> | <u>4,847,621</u> |
| 12 CASH AND BANK BALANCES | | |
| Cash in Hand | 4,114 | 5,108 |
| Cash at Banks | 650,321 | 1,532,145 |
| | <u>654,435</u> | <u>1,537,253</u> |

| | <u>2011</u> <u>RUPEES</u> | <u>2010</u> <u>RUPEES</u> |
|------------------------------------------------------|------------------------------|------------------------------|
| 13 <u>BROKERAGE INCOME</u> | | |
| Brokerage Income | <u>1,283,711</u> | <u>2,003,935</u> |
| 14 <u>ADMINISTRATIVE AND SELLING EXPENSES</u> | | |
| Salaries, Wages & Benefits | 1,749,793 | 1,924,276 |
| Utilities Expenses | 267,675 | 47,015 |
| Medical Expenses | 27,278 | - |
| Printing & Stationery | 25,006 | 24,094 |
| Entertainment | 183,622 | 76,248 |
| Central Depository Company Charges | 83,065 | 210,260 |
| Lahore Stock Exchange Charges | 9,872 | 181,161 |
| Telephone, Postage & Telegrams Expenses | 16,822 | 17,277 |
| Cable Charges & Newspaper | 4,465 | - |
| Legal and Professional | 71,060 | 100,000 |
| Charity & Donation | 30,420 | 41,622 |
| Repair & Maintenance | 130,576 | - |
| Auditors' Remuneration | 35,000 | 35,000 |
| Misc. Expenses | 9,456 | 203,192 |
| Vehicle Running Expenses | 184,980 | 261,988 |
| Depreciation | 413,434 | 465,350 |
| | <u>3,242,524</u> | <u>3,587,483</u> |
| 15 <u>FINANCE COST</u> | | |
| Bank Charges | <u>4,950</u> | <u>6,116</u> |
| 16 <u>OTHER INCOME</u> | | |
| Profit on Royal Profit Account | 149,865 | 205,960 |
| CDC Approval Charges | 205,830 | 232,011 |
| UIN Charges | 7,531 | 10,914 |
| Other Charges | 15,763 | - |
| | <u>378,989</u> | <u>448,885</u> |

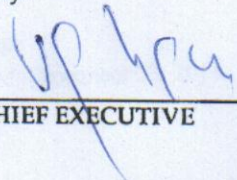
17 GENERAL

Figures have been rounded off to the nearest rupee.

Previous year's figures have been rearranged wherever necessary, for the purpose of comparison only.

18 DATE OF AUTHORIZATION AND ISSUE

These financial statements were authorized for issue on September 22, 2011 by the board of directors of the company.



CHIEF EXECUTIVE



DIRECTOR

