

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, 2013.

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):	2084924
Expenses (in Rupees):	3309554
Other income (in Rupees):	718445
Earnings / (Loss) per share:	(3.77)

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: 27-9-13
Resolution Passed



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, 2013 and the related profit and loss account, Cash flow statement and Statement of changes in equity 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 approved accounting standards as applicable in Pakistan, and give 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, 2013 and of the loss, its cash flows 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.

Muhammad Kaleem Rathor
Lahore
Dated: September 25, 2013

Kaleem
KALEEM AND COMPANY
CHARTERED ACCOUNTANTS



SETHI SECURITIES (SMC-PVT) LIMITED
BALANCE SHEET AS AT JUNE 30, 2013

<u>CAPITAL & LIABILITIES</u>		<u>2013</u>	<u>2012</u>	<u>PROPERTY & ASSETS</u>		<u>2013</u>	<u>2012</u>
<u>NOTE</u>	<u>RUPEES</u>	<u>RUPEES</u>	<u>RUPEES</u>	<u>NOTE</u>	<u>RUPEES</u>	<u>RUPEES</u>	
<u>Share Capital and Reserves</u>							
Authorized Capital		70,000,000	70,000,000	Tangible Fixed Assets	6	11,409,931	11,727,025
Issued, Subscribed & Paid-up Capital	3	70,000,000	70,000,000	Intangible Fixed Assets (Membership Cards & Licenses)	7	4,000,000	40,000,000
Un-appropriated Loss		(34,752,808)	(8,334,273)	Long Term Investment			-
		35,247,192	61,665,727	Long Term Deposits	8	730,000	730,000
<u>CURRENT LIABILITIES</u>				<u>CURRENT ASSETS</u>			
Trade Creditors, Accrued Expenses	4	11,741,213	7,292,075	Trade Debtors (Un-secured considered Good)		7,168,894	5,596,119
Provision for Taxation		154,082	154,082	Loans & Advances	9	92,175	66,896
		11,895,295	7,446,157	Short Term Investments	10	15,380,400	5,292,750
Contingencies & Commitment	5	-	-	Advance Income Tax		83,766	71,701
		-	-	Cash & Bank Balances	11	8,277,321	5,627,393
		47,142,487	69,111,884			31,002,556	16,654,859
		47,142,487	69,111,884			47,142,487	69,111,884

The annexed notes form an integral part of these accounts.



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 CHIEF EXECUTIVE DIRECTOR

SETHI SECURITIES (SMC-PVT) LIMITED
PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 2013

	<u>NOTE</u>	<u>2013</u> <u>RUPEES</u>	<u>2012</u> <u>RUPEES</u>
Brokerage Income	12	2,084,924	1,732,051
Gain / (Deficit) on Re-measurement of Investments		6,277,451	1,119,342
Unrealized Gain / (Deficit) on Exchange of assets		(32,189,801)	-
		(23,827,426)	2,851,393
 Administrative and Selling Expenses	 13	 3,309,554	 3,012,604
		3,309,554	3,012,604
		(27,136,980)	(161,211)
Other Income	14	718,445	601,445
Loss Before Taxation		(26,418,535)	440,234
Provision for Taxation		-	154,082
Profit After Taxation		(26,418,535)	286,152
 Earning / (Loss) Per Share		 (3.77)	 0.04

The annexed notes form an integral part of these accounts.



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 CHIEF EXECUTIVE / DIRECTOR

SETHI SECURITIES (SMC-PVT) LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2013

<u>CASH FLOW FROM OPERATING ACTIVITIES</u>	<u>2013</u> <u>RUPEES</u>	<u>2012</u> <u>RUPEES</u>
Profit Before Taxation	(26,418,535)	440,234
Adjustments for Non Cash Items:		
Depreciation	333,894	368,324
Unrealized (Gain)/Loss	32,189,801	-
	32,523,695	368,324
Cash Flow before changes in working capital	6,105,160	808,558
Working Capital Changes:		
(Increase) / Decrease in Current Assets:		
Trade Debts - Considered Good	(1,572,775)	(755,232)
Loan & Advances	(25,279)	386,005
Short Term Investment	(6,277,451)	(1,134,956)
	(7,875,505)	(1,504,183)
Increase / (Decrease) in Current Liabilities:		
Trade & Other Payables	4,449,138	5,494,662
	4,449,138	5,494,662
Net Cash Generated from/ (used in) Operations	2,678,793	4,799,037
Income Tax Paid	(12,065)	(26,079)
	(12,065)	(26,079)
Net Cash Generated from / (used in) Operating Activities	2,666,728	4,772,958
 <u>CASH FLOW FROM INVESTING ACTIVITIES</u>		
Long Term Deposits	-	200,000
Purchase of Fixed Assets	(16,800)	-
Net Cash Generated from / (used in) Investing Activities	(16,800)	200,000
 <u>CASH FLOW FROM FINANCING ACTIVITIES</u>		
Net Cash Generated from / (used in) Financing Activities	-	-
Net Increase in Cash and Cash Equivalents	2,649,928	4,972,958
Cash and Cash Equivalents at the Beginning of the Year	5,627,393	654,435
Cash and Cash Equivalents at the End of the Year	8,277,321	5,627,393

The annexed notes form an integral part of these accounts



VP/CEO

 CHIEF EXECUTIVE/DIRECTOR

SETHI SECURITIES (SMC-PVT) LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Share Capital RUPEES</u>	<u>Accumulated (Loss) RUPEES</u>	<u>Total RUPEES</u>
Balance as on 30th June, 2011	70,000,000	(8,620,425)	61,379,575
Net Loss for the year		286,152	286,152
Balance as on 30th June, 2012	70,000,000	(8,334,273)	61,665,727
Net Loss for the year		(26,418,535)	(26,418,535)
Balance as on 30th June, 2013	70,000,000	(34,752,808)	35,247,192

The annexed notes form an integral part of these accounts.



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 CHIEF EXECUTIVE / DIRECTOR

SETHI SECURITIES (SMC-PVT) LTD
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED JUNE 30, 2013

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 any past 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. 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

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>2013</u>	<u>2012</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	11,509,209	7,161,712
Taxes Payable	156,891	54,665
Accrued Expenses	35,500	36,310
Dividend of Companies	39,613	39,388
	<u>11,741,213</u>	<u>7,292,075</u>

5 CONTINGENCIES AND COMMITMENTS

There were no known contingencies and commitments as at Jun 30, 2013 (June 30, 2012 : nil).



6 TANGIBLE ASSETS

Particulars	COST			Rate %	DEPRECIATION			W.D.V. As At 30-06-2013
	As At 1/7/2012	Additions/ (Deletions)	As At 30-06-2013		As At 1/7/2012	For The Year	As On 30-06-2013	
Rooms and Booths	8,500,000	-	8,500,000	-	-	-	8,500,000	
Vehicles	4,600,000	-	4,600,000	10	1,581,940	301,806	2,716,254	
Office Equipments	231,014	-	231,014	10	65,932	16,508	148,574	
Furniture & Fixtures	20,000	-	20,000	10	6,878	1,312	11,810	
Computers	128,120	16,800	144,920	30	97,359	14,268	33,293	
Rupees 2013	13,479,134	16,800	13,495,934		1,752,109	333,894	2,086,003	11,409,931
Rupees 2012	13,479,134	-	13,479,134		1,383,785	368,324	1,752,109	11,727,025



		<u>2013</u>	<u>2012</u>
		<u>RUPEES</u>	<u>RUPEES</u>
7 TRE CERTIFICATES & LICENSES			
Lahore Stock Exchange		4,000,000	40,000,000
8 LONG TERM DEPOSITS			
Advance Against Building		100,000	100,000
Deposit with Lahore Stock Exchange		200,000	200,000
Deposit with Central Depository Company		100,000	100,000
Deposit with National Clearing Company Limited		200,000	200,000
Deposit for Future Trading		100,000	100,000
Clearing House Deposit		30,000	30,000
		<u>730,000</u>	<u>730,000</u>
9 ADVANCES & OTHER RECEIVABLES			
Advances to Staff		-	20,591
Sales Tax Refundable		92,175	46,305
		<u>92,175</u>	<u>66,896</u>
10 SHORT TERM INVESTMENTS			
Quoted Short Term Investment	10.1	11,570,201	5,292,750
Investments-Available for sale (Shares of LSE)	10.2	3,810,199	-
		<u>15,380,400</u>	<u>5,292,750</u>
10.1 Quoted Short Term Investment		9,517,995	9,517,995
Less: Deficit on Re-measurement of Investments:			
Opening		4,225,245	5,344,587
(Gain) For the Year		(6,277,451)	(1,119,342)
		<u>(2,052,206)</u>	<u>4,225,245</u>
		<u>11,570,201</u>	<u>5,292,750</u>
10.2 Investments-Available for sale (Shares of LSE)		3,365,900	-
Less: Deficit on Re-measurement of Investments:			
Opening		-	-
(Gain) For the Year		(444,299)	-
		<u>(444,299)</u>	<u>-</u>
		<u>3,810,199</u>	<u>-</u>
11 CASH AND BANK BALANCES			
Cash in Hand		3,049	216
Cash at Banks		8,274,272	5,627,177
		<u>8,277,321</u>	<u>5,627,393</u>



	<u>2013</u>	<u>2012</u>
	<u>RUPEES</u>	<u>RUPEES</u>
12 <u>BROKERAGE INCOME</u>		
Commission Income	2,084,924	1,732,051
13 <u>ADMINISTRATIVE AND SELLING EXPENSES</u>		
Salaries, Wages & Benefits	1,537,125	1,437,573
Utilities	294,501	209,933
Medical Expenses	23,643	179
Printing & Stationery	9,859	43,096
Entertainment	233,696	194,626
Central Depository Company Charges	110,048	109,088
SECP	559	551
Telephone, Postage & Telegrams Expenses	84,710	79,112
Cable Charges & Newspaper	4,040	2,950
Legal and Professional	60,215	60,000
Charity & Donation	56,291	47,016
Repair & Maintenance	193,047	165,088
Auditors' Remuneration	63,000	55,000
Misc. or Sundry Expenses	3,000	-
Travelling Expenses	2,330	1,985
Vehicle Running Expenses	299,495	233,694
Bank Charges	101	4,389
Depreciation	333,894	368,324
	<u>3,309,554</u>	<u>3,012,604</u>
14 <u>OTHER INCOME</u>		
Profit on Royal Profit Account	43,121	226,390
CDC Approval Charges	237,115	218,845
UIN Charges	37,335	28,978
Other Charges	131,005	127,232
CGT Service Charges	80,171	-
Dividend Income	189,698	-
	<u>718,445</u>	<u>601,445</u>
15 <u>GENERAL</u>		
- Figures have been rounded off to the nearest rupee.		
- Previous year's figures have been re-arranged wherever necessary for the purpose of comparison.		
16 <u>DATE OF AUTHORIZATION AND ISSUE</u>		

These financial statements were authorized for issue on September 25, 2013 by the board of directors of the company.



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 CHIE EXECUTIVE/DIRECTOR