GENEVA GROUP INTERNATIONAL
SWITZERLAND

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AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **SETHI SECURITIES (SMC-PRIVATE) LIMITED** ('the Company') as at 30 June 2016 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the 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 approved accounting standards and 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 the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

(a) in our opinion, proper books of 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, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, conform with the 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 30 June 2016 and of the profit, its comprehensive income, cash flows and changes in equity for the year then ended;

(d) in our opinion, no Zakat was deductible at source under Zakat & Ushr Ordinance, 1980; and

(e) The financial statements for the year ended 30 June 2015 were audited by another firm of auditors, whose report dated 14 September 2015 expressed an unqualified opinion on those financial statements.

Tariq Abdul Ghani Maqbool & Co.
Chartered Accountants
Shahid Mehmood

Lahore
Dated: 04 October 2016

Tariq Abdul Ghani Maqbool & Co., a Partnership firm registered in Pakistan and an independent member of Geneva Group International (GGI), a Swiss entity.

SETHI SECURITIES (SMC-PRIVATE) LIMITED
BALANCE SHEET
AS AT 30 JUNE 2016

	NOTE	2016 RUPEES	2015 RUPEES (Restated)	2014 RUPEES (Restated)
ASSETS				
NON CURRENT ASSETS				
Property, plant and equipment	4	11,001,780	11,234,717	11,533,057
Intangible assets	5	4,000,000	4,000,000	4,000,000
Long term investments	6	8,439,750	8,439,750	8,439,750
Long term deposits	7	2,742,720	2,742,720	2,742,720
		26,184,250	26,417,187	26,715,527
CURRENT ASSETS				
Trade debts	8	1,342,819	2,124,285	2,056,560
Loans, advances and prepayments	9	1,574,687	149,000	134,000
Short term investments	10	31,001,737	30,157,280	16,287,408
Tax refundable due from Government	11	1,077,796	653,128	362,812
Cash and bank balances	12	8,092,850	17,463,403	20,510,483
		43,089,889	50,547,096	39,351,263
		69,274,139	76,964,283	66,066,790
EQUITY AND LIABILITIES				
SHARE CAPITAL AND RESERVES				
Authorized share capital 7,000,000 (2015: 7,000,000) ordinary shares of Rs 10 each		70,000,000	70,000,000	70,000,000
Issued, subscribed and paid-up capital	13	70,000,000	70,000,000	70,000,000
Reserves		(8,793,074)	(10,654,320)	(24,428,629)
		61,206,926	59,345,680	45,571,371
NON-CURRENT LIABILITIES		-	-	-
CURRENT LIABILITIES				
Trade and other payables	14	8,047,162	17,464,521	20,341,337
Provision for taxation	15	20,051	154,082	154,082
		8,067,213	17,618,603	20,495,419
Contingencies and commitments	16	-	-	-
		69,274,139	76,964,283	66,066,790

The annexed notes from 1 to 30 form an integral part of these financial statements.

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SETHI SECURITIES (SMC-PRIVATE) LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE 2016

	NOTE	2016 RUPEES	2015 RUPEES (Restated)
Operating revenue	17	2,005,128	2,666,477
Operating expenses	18	(4,450,028)	(5,567,105)
Other operating income	19	4,329,287	16,675,587
		1,884,387	13,774,959
Finance cost	20	(3,090)	(650)
Profit before taxation		1,881,297	13,774,309
Taxation	21	(20,051)	-
Net profit for the year		1,861,246	13,774,309
Earnings per share - basic and diluted	22	0.27	1.97

The annexed notes from 1 to 30 form an integral part of these financial statements.

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SETH SECURITIES (SMC-PVT) LTD. CODE NO: 268 ROOM NO: 107 PAKISTAN STOCK EXECANGE LTD.

SETH SECURITIES (SMC-PVT) LTD. CODE NO: 268 ROOM NO: 107 PAKISTAN STOCK EXECANGE LTD.

CHIEF EXECUTIVE **DIRECTOR**

SETHI SECURITIES (SMC-PRIVATE) LIMITED
STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2016

	NOTE	2016 RUPEES	2015 RUPEES
Net profit for the year		1,861,246	13,774,309
Total comprehensive income for the year		1,861,246	13,774,309

The annexed notes from 1 to 30 form an integral part of these financial statements.

TAGM

SETH SECURITIES (SMC-PVT) LTD. ★ PAKISTAN STOCK EXECANGE LTD. ★ CODE NO: 268 ROOM NO: 107

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CHIEF EXECUTIVE **DIRECTOR**

SETHI SECURITIES (SMC-PRIVATE) LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2016

	NOTE	2016 RUPEES	2015 RUPEES (Restated)
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		1,881,297	13,774,309
Adjustments for non cash items:			
Finance cost		3,090	650
Gain on re-measurement of investments		(844,457)	(13,867,966)
Depreciation		298,427	298,340
		(542,940)	(13,568,976)
Operating profit before working capital changes		1,338,357	205,333
Adjustments for working capital changes			
Decrease/(increase) in trade debts		781,466	(67,725)
Increase in advance tax		(424,668)	(75,658)
Increase in loans and advances		(1,425,687)	(1,906)
		(1,068,889)	(145,289)
Decrease in accrued and other payables		(9,417,359)	(2,876,816)
Net cash used in operation		(9,147,891)	(2,816,772)
Taxation paid		(154,082)	(229,658)
Finance cost paid		(3,090)	(650)
		(157,172)	(230,308)
Net cash used in operating activities		(9,305,063)	(3,047,080)
CASH FLOW FROM INVESTING ACTIVITIES			
Capital expenditure		(65,490)	-
Net cash used in investing activities		(65,490)	-
CASH FLOW FROM FINANCING ACTIVITIES		-	-
Net decrease in cash and cash equivalents		(9,370,553)	(3,047,080)
Cash and cash equivalents at the beginning of the year		17,463,403	20,510,483
Cash and cash equivalents at the end of the year		8,092,850	17,463,403

The annexed notes from 1 to 30 form an integral part of these financial statements.

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CHIEF EXECUTIVE

SETH SECURITIES (SMC-PVT) LTD. ★ PAKISTAN STOCK EXECANGE LTD. ★ CODE NO: 268 ROOM NO: 107

DIRECTOR

SETHI SECURITIES (SMC-PRIVATE) LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2016

RUPEES

	Share Capital	Revenue Reserves	Total
Balance as at 01 July 2014	70,000,000	(23,983,010)	46,016,990
Effect of adjustment of restatement as discussed in note No. 27	-	(445,619)	(445,619)
Balance as on 01 July 2014 - Re-stated	70,000,000	(24,428,629)	45,571,371
Net profit for the year	-	13,774,309	13,774,309
Balance as at 30 June 2015	70,000,000	(10,654,320)	59,345,680
Net profit for the year	-	1,861,246	1,861,246
Balance as at 30 June 2016	70,000,000	(8,793,074)	61,206,926

The annexed notes from 1 to 30 form an integral part of these financial statements.

SETH SECURITIES (SMC-PVT) LTD. CODE NO: 268 ROOM NO: 107 PAKISTAN STOCK EXECANGE LTD.

CHIEF EXECUTIVE

DIRECTOR

1 LEGAL STATUS AND NATURE OF BUSINESS

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

2 STATEMENT OF COMPLIANCE AND SIGNIFICANT ESTIMATES

2.01 Statement of Compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan and the requirements of Companies Ordinance, 1984. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standard Board as notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives under the Companies Ordinance, 1984 shall prevail.

2.02 Basis of measurement

These financial statements have been prepared under the historical cost convention except for certain financial instruments at fair value and employees retirement benefits at present value. In these financial statements, except for cash flow statement, all transactions have been accounted for on accrual basis.

2.03 Judgments, estimates and assumptions

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions and judgments are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which forms the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

Judgments made by management in the application of approved accounting standards that have significant effect on the financial statements and estimates with a risk of material adjustment in subsequent years are as follow:

Depreciation method, rates and useful lives of property, plant and equipment

The management of the Company reassesses useful lives, depreciation method and rates for items of property, plant and equipment annually by considering expected pattern of economic benefits that the Company expects to drive from that item.

Recoverable amount of assets/cash generating units

The management of the Company reviews carrying amounts of its assets and cash generating units for possible impairment and makes formal estimates of recoverable amount if there is any such indication.

Employees retirement benefits

The present value of defined benefit obligation is based assumptions of future outcomes, the principal ones being in respect of increases in remuneration, expected average remaining working lives of employees and discount rate used to derive present value of defined benefit obligation.

Taxation

The Company takes into account the current income tax law and decisions taken by appellate authorities. Instances where the Company's view differs from the view taken by the income tax department at the assessment stage and where the Company considers that its view on items of material nature is in accordance with law, the amounts are shown as contingent liabilities.

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Provisions

Provisions are based on best estimate of the expenditure required to settle the present obligation at the reporting date, that is, the amount that the Company would rationally pay to settle the obligation at the reporting date or to transfer it to a third party.

2.04 Standards, interpretations and amendments to published approved accounting standards

The following amendments to existing standards have been published that are applicable to the company's financial statements covering annual periods, beginning on or after the following dates:

- Standards, amendments to published standards and interpretations effective in current year

Following are the amendments that are applicable for accounting periods beginning on or after 01 July 2016:

- New/Revised Standards, Interpretations and Amendments

IFRS 13 - Fair Value Measurement. The standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs. The standard only affects the disclosures in the Company's financial statements.

- Improvement to Accounting Standards Issued by the IASB

IFRS 5	Non-current Assets Held for Sale and Discontinued Operations - (changes in methods of disposal)
IFRS 7	Financial Instruments: Disclosures - (servicing contracts and applicability of the amendments to IFRS 7 to condensed interim financial statements)
IAS 19	Employee Benefits - (discount rate: regional market issue)
IAS 34	Interim Financial Reporting - (disclosure of information 'elsewhere in the interim financial report')

The adoption of the above improvements to accounting standards and interpretations are not likely to have an impact on the Company's financial statements.

- Standards, interpretations and amendments to published standards that are effective but not relevant to the company.

The other new standards, amendments and interpretations that are mandatory for accounting periods beginning on or after 01 July 2016 are considered not to be relevant or to have any significant impact on the company's financial reporting and operations.

- Standards, interpretations and amendments to existing standards that are not yet effective

The following amendments and interpretations to existing standards have been published and are mandatory for accounting periods beginning on or after their respective effective dates.

IFRS 10 - Consolidated Financial Statements	01 January 2016
IFRS 11 - Joint Arrangements	01 January 2016
IFRS 12 - Disclosure of Interests in Other Entities	01 January 2016
IAS 16 and 38 - Clarification of Acceptable Method of Depreciation and Amortization	01 January 2016
IAS 16 and 41 - Agriculture: Bearer Plants	01 January 2016

- The above standards, amendments and interpretations are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements except for the increased disclosures in certain cases.

In addition to the above, the following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

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Standard or Interpretation	Effective Date (Annual periods beginning on or after)
IFRS 09 - Financial Instruments: Classification and Measurement	01 January 2018
IFRS 14 - Regulatory Deferral Accounts	01 January 2016
IFRS 15 - Revenue from Contracts with Customers	01 January 2018
IFRS 16 - Leases	01 January 2019

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in the financial statements.

3.01 Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the item.

Parts of an item of property, plant and equipment having different useful lives are recognized as separate items.

Major renewals and improvements of an item of property, plant and equipment are recognized in the carrying amount of the item if it is probable that the embodied future economic benefits will flow to the Company and the cost of renewal or improvement can be measured reliably. The cost of the day-to-day servicing of property and equipment are recognized in profit or loss as incurred.

Depreciation

Depreciation is recognized in profit or loss by applying reducing balance method over the useful life of each item of property, plant and equipment using the rates specified in note 4 to the financial statements.

Depreciation on addition to property, plant and equipment is charged from the month in which the item becomes available for use. Depreciation is discontinued from the month in which it is disposed or classified as held for disposal.

Depreciation method, useful lives and residual values are reviewed at each reporting date.

De-recognition

An item of property, plant and equipment is de-recognized when permanently retired from use. Any gain or loss on disposal of property, plant and equipment is recognized in profit and loss account.

3.02 Intangible assets

These represent computer softwares, Trading Rights Entitlement (TRE) Certificate. An intangible asset is recognised as an asset if it is probable that future economic benefits attributable to the asset will flow to the entity and the cost of such asset can be measured reliably.

Trading Right Entitlement (TRE) Certificate

It is stated at cost less impairment, if any. Cost is determined as the value of the membership card with which it has been exchanged. For this purpose, the cost of the membership card has first been allocated to the shares of LSE at their par value of Rs. 10/- and the remaining cost has been allocated to the TREC. Now shares revalued @ Rs.17.64 per share and TREC is revalued @ Rs. 5,000,000.

3.03 Financial Instruments

Recognition

A financial instrument is recognized when the company becomes a party to the contractual provisions of the instrument.

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De-recognition

Financial assets are de-recognized if the Company's contractual rights to the cash flows from the financial assets expire or if the Company transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Financial liabilities are de-recognized if the Company's obligations specified in the contract expire or are discharged, cancelled or transferred to another party without retaining any obligation. Any gain or loss on de-recognition of financial assets and financial liabilities is recognized in the profit and loss account.

Measurement

The particular measurement methods adopted are disclosed in the individual policy statements associated with each instrument.

Off-setting

A financial asset and a financial liability is offset and the net amount reported in the balance sheet if the Company has legally enforceable right to set-off the recognized amounts and intends either to settle on a net basis to realize the asset and settle the liability simultaneously.

"Regular way" purchases and sales of financial assets

All regular way purchases and sales of financial assets are recognized on trade date, i.e. the date the Company commits to purchase or sell the asset. Regular way purchase or sales of financial assets are those contracts which requires delivery of .assets within the time frame generally established by the regulation or convention in the market.

3.04 Ordinary share capital

Ordinary share capital is recognized as equity. Incremental costs directly attributable to the issuer of ordinary shares and share options are recognized as deduction from equity.

3.05 Borrowing

These are recognized initially at fair value less attributable transaction costs. Subsequent to initial recognition, these are stated at amortized cost with any difference between cost and redemption value being recognized in the profit or loss over the period of the borrowing on an effective interest basis.

3.06 Employees retirement benefits

Short term employees benefits

The Company recognizes the undiscounted amount of short term employees benefits to be paid in exchange for services rendered by employees as a liability after deducting amount already paid and as an expense in profit and loss account unless it is included in the cost of inventories or property, plant and equipment as permitted or required by the approved accounting standards. If the amount paid exceeds the undiscounted amount of benefits, the excess is recognized as an asset to the extent that the prepayment would lead to a reduction in future payments or cash refund.

The Company provides for compensated absences of its employees on unavailed balance of leaves in the period in which the leaves are earned.

Post-employment benefits

The Company operates an unfunded gratuity scheme (defined benefit plan) for all its permanent employees who have completed minimum qualified period for service as defined under the respective scheme. Liability is adjusted annually to cover the obligation and the adjustment is charged to profit and loss account. The determination of the Company's obligation under the scheme requires assumptions to be made of future outcomes, the principal ones being in respect of increase in remuneration, expected average remaining working lives of employees and discount rate used to derive present value of defined benefit obligation.

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3.07 Trade and other payables

Liabilities for trade and other payables are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Company and subsequently measured at amortized cost.

3.08 Trade and other receivables

Trade debts and other receivables are recognized initially at original invoice amount which is the fair value of trade debts and other receivables and subsequently measured at amortized cost less provision for impairment, if any. A provision for impairment is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of receivables. Trade debts and other receivables considered irrecoverable are written off.

3.09 Investment at fair value through profit and loss account

Investments are classified as investments at fair value through profit and loss account when either they are designated as such on initial recognition or are classified as held for trading. Held for trading investments are investments that are acquired principally for the purpose of selling them in the near future; or that are part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of profit taking or that are derivatives, excluding financial guarantee contracts and designated and hedging instruments.

These are recognized initially at cost which includes transaction costs associated with the investment. Subsequent to initial recognition, quoted investments are measured at fair value. Unrealized gains and losses arising from changes in fair value are recognized in other comprehensive income. Gain or loss on sale of investments is recognized in profit and loss account. Fair value of quoted investments is measured by reference to published price quotations in an active market. 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 charged to profit and loss account.

3.10 Investment available for sale

Investments are classified as available for sale when these are intended to be held for an indefinite period of time and may be sold in response to need for the liquidity or change in equity prices.

These are recognized initially at cost which includes transaction costs associated with the investment. Subsequent to initial recognition, quoted investments are measured at fair value. Unrealized gains and losses arising from changes in fair value are recognized in other comprehensive income until the investments are disposed off or impaired. Gain or loss on sale of these investments is recognised in profit and loss account. Fair value of quoted investments is measured by reference to published price quotations in an active market. 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 charged to profit and loss account.

3.11 Securities sold/purchased under repurchase/resale agreements

Securities sold subject to a linked repurchase agreement ('repo') are retained in the financial statements and the counterparty liability is included in borrowings under repurchase agreements. The difference between sale and repurchase price is treated as mark-up income and is accrued over the life of agreement using the effective yield method.

3.12 Revenue

Revenue is measured at fair value of the consideration received or receivable, net of returns allowances, trade discounts and rebates, and represents amounts received or receivable for goods and services provided and other operating income earned in the normal course of business. Revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the Company, and the amount of revenue and the associated costs incurred or to be incurred can be measured reliably.

Revenue from different sources is recognized as follows:

Brokerage income is recognized as and when such services are rendered.

Dividend income is recognized when right to receive payment is established.

Underwriting commission is recognized as and when the contract is executed. Take-up commission is recognized at the time of actual take-up.

Commission on continuous funding system is recognized as and when accrued.

Rental income is recognized as and when accrued.

Mark-up on saving account is recognized on time proportion basis.

3.13 Borrowing cost

Borrowing cost directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying asset is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are recognized in the profit or loss as incurred.

3.14 Income tax

Income tax expense compromises current tax and deferred tax. Income tax expense is recognized in profit and loss account except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the amount of tax payable on taxable income for the year, using tax rates enacted or substantively enacted by the reporting date, and any adjustment to the tax payable in respect of previous years. Provision for current tax is based on higher of the taxable income at current rates of taxation in Pakistan after taking into account tax credits, rebates and exemptions available, if any, or 1% of turnover. However, for income covered under final tax regime, taxation is based on applicable tax rates under such regime. The amount of unpaid income tax in respect of the current or prior periods is recognized as a liability. Any excess paid over what is due in respect of the current or prior periods is recognized as an asset.

Deferred tax is accounted for using the balance sheet liability method providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. In this regard, the effect on deferred taxation of the portion of income that is subject to final tax regime is also considered in accordance with the requirement of "Technical Release-27" of the Institute of the Chartered Accountants of Pakistan. Deferred tax is measured at rate that are expected to be applies to the temporary differences when they reverse, based on laws that have been enacted or substantively enacted by the reporting date. A deferred tax liability is recognized for all taxable temporary differences. A deferred tax asset is recognized for deductible temporary differences to the extent that future taxable profits will be available against which temporary differences can be utilized. Deferred tax asset are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax is not recognized for timing differences that are not expected to reverse and for the temporary differences arising from the initial recognition of goodwill and initial recognition of assets and liabilities in a transaction that is not a business combination and that at the time of transaction affects neither the accounting nor the taxable profit.

3.15 Cash and cash equivalents

Cash and cash equivalent for the purpose of cash flow statement compromise cash in hand and in current accounts with various banks after deducting balances under lien, if any. Cash and cash equivalents are carried at cost.

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3.16 Foreign currency transactions and balances

Transactions in foreign currency are translated to the functional currency of the Company using exchange rate at the date of transaction. Monetary assets and liabilities denominated in foreign currency at the reporting date are translated to the functional currency at exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currency that are measured at fair value are translated to the functional currency at exchange rate at the date that fair value was determined. Non-monetary assets and liabilities denominated in the foreign currency that are measured at historical cost are translated to functional currency at exchange rate at the date of transaction. Gain or loss arising on translation of foreign currency transactions and balances is recognized in profit and loss account.

3.17 Functional currency

These financial statements are prepared in Pak Rupees which is Company's functional currency.

3.18 Impairment

An impairment loss is recognized if the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in profit and loss account. Impairment losses are reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimate used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation and amortization, if no impairment loss had been recognized.

3.19 Related party transactions

Related party transactions are carried out on an arm's length basis. Pricing for these transactions is determined on the basis of comparable uncontrolled price method, which sets the price by reference to comparable goods and services sold in an economically comparable market to a buyer unrelated to the seller.

3.20 Provisions

Provisions are recognized when the Company has a legal and constructive obligation as a result of past events and it is probable that outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation.

4 PROPERTY, PLANT AND EQUIPMENT

	NOTE	2016 RUPEES	2015 RUPEES
Operating assets	4.01	11,001,780	11,234,717
		11,001,780	11,234,717

The following is a statement of operating fixed assets (tangible):

RUPEES

	Rooms and Booths	Vehicles	Office Equipments	Furniture and Fixture	Computers	Total
At 30 June 2014						
Cost	8,500,000	3,000,000	231,014	20,000	159,920	11,910,934
Accumulated depreciation	-	(148,125)	(96,751)	(9,327)	(123,674)	(377,877)
Net book value	8,500,000	2,851,875	134,263	10,673	36,246	11,533,057
Year ended 30 June 2015						
Depreciation charge for the year	-	(274,670)	(12,931)	(1,028)	(9,711)	(298,340)
Net book value as at 30 June 2015	8,500,000	2,577,205	121,332	9,645	26,535	11,234,717
Year ended 30 June 2016						
Additions	-	-	-	-	65,490	65,490
Depreciation charge for the year	-	(257,721)	(12,133)	(965)	(27,608)	(298,427)
Net book value as at 30 June 2016	8,500,000	2,319,484	109,199	8,680	64,417	11,001,780
At 30 June 2015						
Cost	8,500,000	3,000,000	231,014	20,000	159,920	11,910,934
Accumulated depreciation	-	(422,795)	(109,682)	(10,355)	(133,385)	(676,217)
Net book value	8,500,000	2,577,205	121,332	9,645	26,535	11,234,717
Annual rates (%) of depreciation		10%	10%	10%	30%	
At 30 June 2016						
Cost	8,500,000	3,000,000	231,014	20,000	225,410	11,976,424
Accumulated depreciation	-	(680,516)	(121,815)	(11,320)	(160,993)	(974,644)
Net book value	8,500,000	2,319,484	109,199	8,680	64,417	11,001,780
Annual rates (%) of depreciation	-	10%	10%	10%	30%	

4.01 Depreciation charge for the year has been allocated as follows:

	NOTE	2016 RUPEES	2015 RUPEES
Operating Expenses		298,427	298,340
		298,427	298,340

5 INTANGIBLE ASSETS	NOTE	2016 RUPEES	2015 RUPEES
Trading Rights Entitlement Certificate - Pakistan Stock Exchange Limited		4,000,000	4,000,000

5.01 Trading Right Entitlement Certificate (TREC) has been received from Pakistan Stock Exchange Limited (PSX) as a replacement of formerly issued TREC by Lahore Stock Exchange Limited (LSE) in accordance with the requirements of the Stock Exchanges (Corporation, Demutualization and integration) Act, 2012. The company has also received shares of LSE after completion of demutualization process.

5.02 Pursuant to the promulgation of the Stock Exchanges (Corporatisation, Demutualization and Integration) Act, 2012 the Company has been allotted 843,975 shares of the face value of Rs. 10/- each, out of which 506,385 shares are kept in the blocked account and the divestment of the same will be made in accordance with the requirements of the Act within two years from the date of demutualization. Since the shares are not presently tradable the fair value cannot be determined with reasonable accuracy. The Company has reclassified its investment from Intangible asset to long term investments at par value for better presentation.

5.03 The company has pledged/hypothecated TREC of Lahore Stock Exchange Limited and 337,590 (40% of allotted shares) of LSE with LSE in compliance with Base Minimum Capital requirements under the Regulations Governing Risk Management of the LSE. The Board of Directors of LSE through its notice No. 1320 dated 06 March 2014 has assigned a nominal value of 4.1 million to TREC and 3.8 million to LSE shares aggregating to total BMC of 7.9 million.

	NOTE	2016 RUPEES	2015 RUPEES (Restated)
6 LONG TERM INVESTMENTS			
Available-for-sale:			
Investment in Pakistan Stock Exchange Limited		8,439,750	8,439,750
843,975; (2015: 843,975) shares		8,439,750	8,439,750
7 LONG TERM DEPOSITS			
Advance against building		2,242,720	2,242,720
Deposit with Pakistan Stock Exchange Limited		200,000	200,000
Deposit with Central Depository Company		100,000	100,000
Deposit with National Clearing Company Limited		200,000	200,000
		2,742,720	2,742,720
8 TRADE DEBTS			
Unsecured- considered good		1,342,819	2,124,285
		1,342,819	2,124,285
9 LOANS, ADVANCES AND PREPAYMENTS			
Advances to staff		5,500	19,000
National Clearing House		184,027	-
NCS - DFC (Loss Demand)		485,160	-
Deposit for future trading		900,000	100,000
Clearing House deposit		-	30,000
		1,574,687	149,000
10 SHORT TERM INVESTMENTS			
Held for trading			
Investment in shares of listed companies - at fair value through profit and loss	10.01	31,001,737	30,157,280
10.01 Investment in shares of listed companies			
- Opening		30,157,280	16,289,314
- Gain during the year		844,457	13,867,966
		31,001,737	30,157,280

TASM

	Note	2016 Rupees	2015 Rupees
11 TAX REFUNDABLE DUE FROM GOVERNMENT			
Advance income tax		792,174	443,764
Sales tax refundable		285,622	209,364
		1,077,796	653,128
12 CASH AND BANK BALANCES			
Cash in hand		2,660	11,746
Cash with banks - In current accounts		8,090,190	17,451,657
		8,092,850	17,463,403
13 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL			
7,000,000 (2015: 7,000,000) ordinary shares of Rs. 10 each issued as fully paid in cash		70,000,000	70,000,000
14 TRADE AND OTHER PAYABLES			
Trade creditors		7,503,492	17,161,735
Tax payable		352,574	250,941
Accrued expenses		191,096	51,845
		8,047,162	17,464,521
15 PROVISION FOR TAXATION			
Opening balance		154,082	154,082
Add: Taxation - current		20,051	-
		174,133	154,082
Less: Tax payments/adjustments during the year		154,082	-
		20,051	154,082

16 CONTINGENCIES AND COMMITMENTS

Contingencies and commitments during the year is Nil (2015: Nil)

	Note	2016 Rupees	2015 Rupees
17 OPERATING REVENUE			
Commission income - Net		2,005,128	2,666,477
18 OPERATING EXPENSES			
Directors' remuneration	26	750,000	750,000
Salaries, wages and benefits		1,352,010	1,268,795
Utilities		362,359	344,591
Medical expenses		18,685	13,655
Printing and stationery		11,852	18,651
Entertainment		250,542	321,656
Telephone, postage and telegram expenses		110,366	116,787
Cable charges and newspaper		7,815	7,899
Subscription and fee		318,647	387,516
Legal and professional charges		50,000	152,280
Charity and donations		153,300	71,450
Repair and maintenance		26,525	127,498
Auditors' remuneration	18.01	250,000	-
Miscellaneous expenses		1,998	2,400
Travelling expenses		286,783	504,050
Vehicle running expenses		200,719	276,796
Depreciation	4.01	298,427	298,340
Reversal of gain on LSE shares		-	904,741
		4,450,028	5,567,105

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	Note	2016 Rupees	2015 Rupees
18.01 Auditors' remuneration			
Statutory audit fee		250,000	-
		250,000	-

18.02 No director or his/her spouse had any interest in the donees' fund.

19 OTHER OPERATING INCOME

		2016	2015
Dividend income		3,126,731	1,902,880
Other income		358,099	-
Gain on re-measurement of investments in listed securities		844,457	13,867,966
Gain on re-measurement of investments in LSE shares		-	904,741
		4,329,287	16,675,587

20 FINANCE COST

		2016	2015
Bank charges		3,090	650
		3,090	650

21 TAXATION

		2016	2015
Taxation			
Current		20,051	-
		20,051	-

21.01 Provision for the year has been made in accordance with section 233(A) of the Income Tax Ordinance, 2001 ("the Ordinance").

21.02 Assessment for and up to tax year 2015 are deemed assessment under section 120(1) of the Ordinance, as per Income Tax returns filed by the company.

21.03 There is no relationship between tax expense and accounting profit since the company's profits are subject to tax under section 233(A). Accordingly, no numerical reconciliation has been presented.

21.04 No material deferred tax arose during the year.

22 EARNINGS PER SHARE-BASIC AND DILUTED

22.01 Basic

		2016	2015
Earnings for the year		1,861,246	13,774,309
Weighted average number of ordinary shares outstanding during the period		7,000,000	7,000,000
Earnings per share - basic (Amount in rupees)		0.27	1.97

22.02 Diluted

There is no dilutive effect on the basic earnings per share of the company because the company has no outstanding potential ordinary shares.

23 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including currency risk, interest rate risk and price risk). The Company's overall risk management policy focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance.

Risk management framework

The Board of Directors of the Company has an overall responsibility for the establishment and oversight of the Company's risk management framework. The Board is also responsible for developing and monitoring the Company's risk management policies.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities..

23.01 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss, without taking into account the fair value of any collateral. Credit risk arises from the inability of the issuers of the instruments, the relevant financial institutions or counter parties in case of placements or other arrangements to fulfil their obligations. There is a possibility of participants and of failure of the financial markets, the depositories, the settlements or clearing system.

	Rating Agency	Credit Rating	
		Short term	Long term
Bank Alfalah Limited	PACRA	A1+	AA

Exposure to credit risk

Credit risk of the Company arises principally from its long term deposits, trade debts, loans, advances and prepayments, and bank balances. The carrying amount of these financial assets represents the maximum credit exposure.

	Note	2016 Rupees	2015 Rupees
Long term deposits	7	2,742,720	2,742,720
Trade debts	8	1,342,819	2,124,285
Loans, advances and prepayments	9	1,574,687	149,000
Bank balances	12	8,090,190	17,451,657
		13,750,416	22,467,662

Credit risk management

To reduce the exposure to credit risk, the Company has developed its own risk management policies and guidelines whereby clients are provided trading limits according to their worth and proper margins are collected from and maintained by the clients. The Management continuously monitors the credit exposure towards the clients and makes provision against those balances considered doubtful for recovery.

The Company's policy is to enter into financial contracts in accordance with the internal risk management policies and investment and operational guidelines.

All transactions in listed securities are settled using National Clearing Company of Pakistan Limited, being the central clearing company of the country. The risk of default in such transactions is considered minimal, as delivery of securities is guaranteed by the stock exchange. The Company does not expect to incur material credit losses on its financial assets.

The maximum exposure to credit risk before any credit enhancements at 30 June 2016 is the carrying amount of the financial assets as set out below:

	Note	2016 Rupees	2015 Rupees
Long term investments - Available for sale	6	8,439,750	8,439,750
Long term deposits	7	2,742,720	2,742,720
Trade debts	8	1,342,819	2,124,285
Loans and advances	9	5,500	19,000
Short term investments - Held for trading	10	31,001,737	30,157,280
Bank balances	12	8,090,190	17,451,657
		51,622,716	60,934,692

Except for the impairment disclosed above, no impairment has been recognized in respect of these receivables as the security against the same is adequate. The Company is doing its utmost to recover the amount from the doubtful clients and is confident that majority of the amount would be recovered based on the past experience and the recovery efforts being carried out by the Company.

The credit quality of the Company's cash and cash equivalents, held with various commercial banks and financial institutions is assessed with reference to external credit ratings thereof, ranging from AAA to A+ assigned by reputable credit rating agencies.

Concentration of credit risk

Concentration of 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 diversified and transactions are entered into with credit-worthy counterparties of diverse natures thereby mitigating any significant concentrations of credit risk.

23.02 Liquidity risk

Liquidity risk represents the risk that the company will encounter difficulties in meeting obligations associated with financial liabilities. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities. Due to growing nature of the business, the company maintains flexibility in funding by maintaining committed credit lines available.

The table below analyses how management monitors net liquidity based on details of the remaining contractual maturities of financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

Description	Carrying Amounts Rupees	Contractual cash flows Rupees	Less than 1 year Rupees	Between 1 and 5 years Rupees	Over 5 years Rupees
30 June 2016					
Trade and other payables	7,694,588	7,694,588	7,694,588	-	-
	7,694,588	7,694,588	7,694,588	-	-

Description	Carrying Amounts	Contractual cash flows	Less than 1 year	Between 1 and 5 years	Over 5 years
30 June 2015					
Trade and other payables	17,213,580	17,213,580	17,213,580	-	-
	17,213,580	17,213,580	17,213,580	-	-

23.03 Market risk

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

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

	Within one year Rupees	More than one year and upto five years Rupees	Above five years Rupees	Not exposed to interest rate risk Rupees	Total Rupees
As at 30 June 2016					
FINANCIAL ASSETS					
Trade receivables	1,342,819	-	-	-	1,342,819
Advances and other receivables	-	-	-	1,574,687	1,574,687
Short term investment	31,001,737	-	-	-	31,001,737
Bank balances	-	-	-	8,090,190	8,090,190
	32,344,556	-	-	9,664,877	42,009,433
FINANCIAL LIABILITIES					
Trade and other payables	-	-	-	7,694,588	7,694,588
	-	-	-	7,694,588	7,694,588
Total Interest rate sensitivity gap	32,344,556	-	-		
Cumulative interest rate sensitivity gap	32,344,556	32,344,556	32,344,556		

	Within one year Rupees	More than one year and upto five years Rupees	Above five years Rupees	Not exposed to interest rate risk Rupees	Total Rupees
As at 30 June 2015					
FINANCIAL ASSETS					
Trade receivables	2,124,285	-	-	-	2,124,285
Advances and other receivables	-	-	-	149,000	149,000
Short term investment	30,157,280	-	-	-	30,157,280
Bank balances	-	-	-	17,451,657	17,451,657
	32,281,565	-	-	17,600,657	49,882,222
FINANCIAL LIABILITIES					
Trade and other payables	-	-	-	17,213,580	17,213,580
	-	-	-	17,213,580	17,213,580
Total Interest rate sensitivity gap	32,281,565	-	-		
Cumulative interest rate sensitivity gap	32,281,565	32,281,565	32,281,565		

Mark-up rates are mentioned in the respective notes to the accounts.

Market risk management

The Company manages market risk by monitoring exposure on marketable securities by following the internal risk management and investment policies and guidelines.

- **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 all transactions are carried out in Pak Rupees.

- **Interest rate risk**

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in the market yield.

Sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore a change in interest rate at the reporting date would not have affected the after tax loss of the Company.

Other price risk

Price risk includes equity price risk which is the risk of changes in the fair value of equity securities as a result of changes in the levels of KSE-Index and the value of individual shares.

The equity price risk exposure arises from investments in equity securities held by the Company for which prices in the future are uncertain. There is no outstanding exposure of the Company in lieu of equity securities as at 30 June 2016.

23.04 Fair value of financial instruments

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 30 June 2016	Level 1 Rupees	Level 2 Rupees	Level 3 Rupees	Total Rupees
Financial asset:				
Held for trading:				
Investment in listed securities	31,001,737	-	-	31,001,737
Available for sale:				
Investment in shares of PSX	-	-	8,439,750	8,439,750
Total non-financial assets	31,001,737	-	8,439,750	39,441,487

As at 30 June 2015	Level 1 Rupees	Level 2 Rupees	Level 3 Rupees	Total Rupees
Financial asset:				
Held for trading:				
Investment in listed securities	30,157,280	-	-	30,157,280
Available for sale:				
Investment in shares of PSX	-	-	8,439,750	8,439,750
Total non-financial assets	30,157,280	-	8,439,750	38,597,030

23.05 Capital risk management

The primary objective of the Company's capital management is to maintain healthy capital ratios and optimal capital structure in order to ensure ample availability of finance for its existing operations, for maximizing shareholder's value, for tapping potential investment opportunities and to reduce cost of capital.

The Company manages its capital structure and makes adjustment to it, in light of changes in economic conditions. Furthermore, the Company finances its operations through equity, borrowing and management of its working capital with a view to maintain an appropriate mix between various sources of finance to minimise risk.

Net capital requirements of the Company are set and regulated by KSE. These requirements are put in place to ensure sufficient solvency margins and are based on excess of current assets over current liabilities. The Company manages its net capital requirements by assessing its capital structure against required capital level on a regular basis.

24 SUBSEQUENT EVENTS

There were no significant adjustable events subsequent to 30 June 2016, which may require an adjustment to the financial statements or additional disclosure and have not already been disclosed in these financial statements.

25 RELATED PARTY TRANSACTIONS

The related parties of the company comprise of the directors of the company who are also the major shareholders and key management personnel of the company.

The related party transactions of the company mainly comprise of the remunerations and loan paid to its directors.

26 DIRECTORS REMUNERATION

Director's Remuneration

	Chief Executive/Director	
	2016	**2015**
	RUPEES	**RUPEES**
Managerial remuneration	750,000	-
	750,000	-
Number of persons	1	1

TAGM

UNDAMENTAL ERROR

27.01 Long term investments

During previous financial years, an amount of Rs. 1,350,360 was recognised as revaluation gain on LSE shares. The company has received these shares after demutualisation of stock exchanges. Due to non availability of active market, these shares cannot be revalued, therefore recognised revaluation gain should be reversed during current financial year. The effect of this error has been reversed in accordance with the provisions of IAS 8 "Accounting policies, changes in accounting estimates and errors". The effect of this restatement has been re-summarized below:

Effect on balance sheet	2016 Rupees	2015 Rupees	Prior periods Rupees
Decrease in non current assets	-	904,741	445,619
Effect on equity and liabilities	-	904,741	445,619
Effect on profit and loss account	-	904,741	-

NUMBER OF EMPLOYEES

The total number of employees as at 30 June 2016 were 07 (30 June 2015: 07) and the average number of employees during the year were 05 (30 June 2015: 05).

AUTHORIZATION OF FINANCIAL STATEMENTS

These financial statements were authorized for issue as on 04 October 2016 by the Board of Directors of the Company.

GENERAL

- Figures have been rounded off to the nearest rupee, unless otherwise stated.
- Corresponding figures have been rearranged/reclassified, wherever necessary, to facilitate comparison.

TAGM

SETH SECURITIES (SMC-PVT) LTD. ★ PAKISTAN STOCK EXECANGE LTD. ★ CODE NO: 268 ROOM NO: 107

CHIEF EXECUTIVE

SETH SECURITIES (SMC-PVT) LTD. ★ PAKISTAN STOCK EXECANGE LTD. ★ CODE NO: 268 ROOM NO: 107

DIRECTOR