



UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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**ANNUAL AUDITED REPORT
FORM X-17A-5
PART III**

SEC FILE NUMBER
8- 67403

FACING PAGE

**Information Required of Brokers and Dealers Pursuant to Section 17 of the
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder**

REPORT FOR THE PERIOD BEGINNING 01/01/08 AND ENDING 12/31/08
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: Setter Capital Inc

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)
272 Avenue Road.
(No. and Street)

Toronto, Ontario, CAN, M4V 2G7
(City) (State) (Zip Code)

OFFICIAL USE ONLY
FIRM I.D. NO.

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT
Leslie Slater, CA (416) 480-0886
(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*
Slater, Leslie Anne, CA
(Name - if individual, state last, first, middle name)

410-4100 Yonge St, Toronto, ON, CAN, M2P 2B5
(Address) (City) (State) (Zip Code)

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CHECK ONE:

- Certified Public Accountant
- Public Accountant
- Accountant not resident in United States or any of its possessions. Canadian CA and Public Accountant

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*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

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OATH OR AFFIRMATION

I, Leslie Anne Slater, CA., swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Setter Capital Inc., as of February 22, 2009, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

Leslie Slater
Signature
Chartered Accountant
Title

[Signature]
Notary Public

This report ** contains (check all applicable boxes):

- (a) Facing Page.
- (b) Statement of Financial Condition.
- (c) Statement of Income (Loss).
- (d) Statement of Changes in Financial Condition.
- (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- (g) Computation of Net Capital.
- (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3. *(exemption)*
- (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- (l) An Oath or Affirmation.
- (m) A copy of the SIPC Supplemental Report.
- (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

**For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

Setter Capital Inc.

Audited Financial Statements

December 31, 2008

SETTER CAPITAL INC.

FINANCIAL STATEMENTS

December 31, 2008

SETTER CAPITAL INC.

December 31, 2008

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Auditor's Report

To the Stockholder and Director of Setter Capital Inc.

I have audited the statement of financial condition of Setter Capital Inc. as at December 31, 2008 and the statements of income, changes in stockholders' equity and changes in financial condition for the year then ended that you are filing pursuant to rule 17a-5 under the Securities and Exchange Act of 1934. These financial statements are the responsibility of the company's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with U.S. generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the company as at December 31, 2008 and the results of its operations and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

Toronto, Ontario
February 22, 2009



Leslie Slater, Chartered Accountant

SETTER CAPITAL INC.
Statement of Financial Condition

As at December 31
(In US dollars)

	<u>2008</u>	<u>2007</u>
Assets		
Cash	\$ 2,722,709	\$ 100,624
Receivable from customers	1,601,327	134,100
Prepaid	<u>5,055</u>	<u>10,210</u>
	<u>4,329,091</u>	<u>244,934</u>
Long Term		
Capital assets (net of \$2,230 accumulated amortization)	<u>3,399</u>	<u>1,861</u>
	<u>3,399</u>	<u>1,861</u>
	<u>\$ 4,332,490</u>	<u>\$ 246,795</u>
 Liabilities and Stockholders' Equity 		
Liabilities		
Accounts payable, accrued expenses, and other liabilities	\$ 1,511,424	\$ 29,712
Income taxes payable	739,538	28,121
Due to shareholder	<u>49,907</u>	<u>24,554</u>
	<u>2,300,869</u>	<u>82,387</u>
Stockholders' Equity		
Common Shares, authorized unlimited shares, issued 1,000 shares (Note 5)	81,450	81,450
Retained Earnings	<u>1,950,171</u>	<u>82,958</u>
	<u>2,031,621</u>	<u>164,408</u>
	<u>\$ 4,332,490</u>	<u>\$ 246,795</u>

The accompanying notes are an integral part of these financial statements.

SETTER CAPITAL INC.**Statement of Income****For the Year Ended December 31***(In US dollars)*

	<u>2008</u>	<u>2007</u>
Revenue		
Commissions	\$ 4,270,101	\$ 134,100
Interest and dividends	9,320	2,185
Other income	<u>62,423</u>	<u>41,847</u>
	<u>4,341,844</u>	<u>178,132</u>
Expenses		
Employee compensation and benefits	1,565,784	24,375
Occupancy	19,957	9,289
Communications and data processing	18,592	10,020
Other expenses	<u>37,729</u>	<u>16,223</u>
	<u>1,642,062</u>	<u>59,907</u>
Income before Income Tax	2,699,782	118,225
Provision for Income Tax	<u>832,569</u>	<u>28,121</u>
Net Income	<u>1,867,213</u>	<u>90,104</u>
Basic and diluted earnings per share	<u>\$ 1,867.21</u>	<u>\$ 90.10</u>

The accompanying notes are an integral part of these financial statements.

SETTER CAPITAL INC.
Statement of Changes in Stockholders' Equity

For the year ended December 31
(In US Dollars)

	<u>2008</u>	<u>2007</u>
Retained earnings, opening	82,958	(7,146)
Net income	<u>1,867,213</u>	<u>90,104</u>
Retained earnings, closing	<u>1,950,171</u>	<u>82,958</u>

The accompanying notes are an integral part of these financial statements.

SETTER CAPITAL INC.

Statement of Changes in Financial Condition

For the year ended December 31

(In US Dollars)

	<u>2008</u>	<u>2007</u>
Cash Provided from Operating Activities		
Net Income	\$ 1,867,213	\$ 90,104
Items not requiring an outlay of cash:		
Amortization	<u>1,526</u>	<u>704</u>
	<u>1,868,739</u>	<u>90,808</u>
 Changes in Non-Cash Working Capital		
Accounts receivable	(1,467,227)	(134,100)
Prepaid expenses	5,155	(10,210)
Accounts payable and accrued charges	1,481,712	29,712
Taxes payable	<u>711,417</u>	<u>28,121</u>
	<u>731,057</u>	<u>(86,477)</u>
Cash flows from Operating Activities	<u>2,599,796</u>	<u>4,331</u>
 Cash Flows from Financing Activities		
Notes payable to shareholders	<u>25,355</u>	<u>18,566</u>
Cash Flows Provided by Financing Activities	<u>25,355</u>	<u>18,566</u>
 Cash Flows From Investing Activities		
Disposals (additions) to property, plant and equipment	<u>(3,066)</u>	<u>(2,563)</u>
Cash flows Used in Investing Activities	<u>(3,066)</u>	<u>(2,563)</u>
 Net Increase in Cash and Cash Equivalents	2,622,085	20,334
 Net Cash and Cash Equivalents, beginning of year	<u>100,624</u>	<u>80,290</u>
 Net Cash and Cash Equivalents, end of year	\$ <u>2,722,709</u>	\$ <u>100,624</u>

The accompanying notes are an integral part of these financial statements

SETTER CAPITAL INC.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2008

1. Background Information

Setter Capital Inc. (the Company) was formed January 31, 2006. The Company is a broker dealer specializing in investment banking and is a member of the Financial Industry Reporting Authority. As of February 23, 2007, the company became a registered broker-dealer.

2. Significant accounting policies

The preparation of the Company's financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash equivalents consist of all highly liquid investments purchased with a maturity of three months or less, that are not held for sale in the ordinary course of business.

The majority of cash is maintained with a major financial institution in Canada. Deposits with this bank may exceed the amount of insurance provided on such deposits. Generally these deposits may be redeemed upon demand and, therefore, bear minimal risk.

Accounts receivable consists primarily of trade receivables for investment banking and advisory services. The Company regularly reviews its accounts receivable for any bad debts. The review for bad debts is based on an analysis of the Company's collection experience, customer credit worthiness, and current economic trends. Based on management's review of accounts receivable, no allowance for doubtful accounts is considered necessary at December 31, 2008.

Property and equipment are recorded at cost. Depreciation is calculated by the declining balance method at rates calculated to write-off the assets over their estimated useful lives of the assets, typically three to five years.

Investment banking revenues consist of fees earned from providing advisory services, are contingent upon the success of the services provided, and are recorded upon successful completion of a transaction.

SETTER CAPITAL INC.
NOTES TO THE FINANCIAL STATEMENTS

December 31, 2008

3. Economic Dependency - Major Customers

Investment banking revenues from two customers made up \$2,888,929 (2007 - \$134,100) or 68% (2007 - 100%) of total customer revenues. The expenses of the Company are minimal and have been funded by the shareholder in the past. The Company, therefore, is not economically dependent on any one customer or group of customers.

4. Net Capital Requirements

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rules (SEC Rule 15c3-1), which requires the maintenance of minimum net capital and that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 8-to-1 in the first 12 months and 15-to-1 in subsequent years. The Company has net capital of \$391,863 (2007 -\$14,023), which was \$238,625 (2007 - \$3,725) in excess of its required net capital of \$153,238 (2007 - \$10,298). The Company's net capital ratio was 5.87-to-1.00.

5. Shareholder's Equity

Stated Capital		<u>2008</u>	<u>2007</u>
Authorized	Unlimited number of common shares		
Issued	1000 common shares	81,450	81,450

6. Lease Commitments

Under the terms of a lease agreement, the Company will be required to make annual rental payments as follows:

2009	\$20,750
2010	\$21,350
2011	\$21,600
2012	\$14,400
2013	\$nil

SETTER CAPITAL INC.
NOTES TO THE FINANCIAL STATEMENTS

December 31, 2008

7. Related Party Transactions

The Company's sole shareholder also owns 90% of PTM Capital Inc., a Canadian company in the business of providing research for financial institutions involved in private equity, and controls 100% of McGrath Brothers Holdings Inc., an inactive Canadian company involved in the franchise business. There were no transactions between these companies.

The sole shareholder uses his personal credit card for facilitating company transactions and this forms part of the shareholder loans to the company totalling \$49,907 (2007-\$24,554). The sole shareholder employed his brother at the year-end and there is a bonus accrued to him in the accounts payable, accrued expenses and other liabilities of \$450,000 (2007 - \$20,176). These amounts were not necessarily indicative of amounts and terms that would have been incurred had comparable transactions been entered into with independent parties.

There are no other related party transactions.

8. Financial Instruments

Fair Values

The carrying amount of accounts receivables, accounts payable and accrued liabilities approximates their fair value because of the short-term maturities of these items.

Credit risk management

The company is exposed to credit risk on the accounts receivable from its customers. The carrying value of accounts receivable and accounts payable approximate their fair value because of the near-term maturity of those instruments. The credit risk is reduced because all amounts are due and paid immediately following the deal from which the revenue arises and because all the deals are with large, well established financial institutions.

Currency Risk

The company realised approximately 11% of its sales in foreign currency. Consequently, some assets and revenues are exposed to foreign exchange fluctuations. As at December 31, 2008, the company has Euros equivalent to \$445,625 US dollars converted using December 31, 2008 exchange rates.

The company pays taxes in Canadian dollars. Consequently, the tax liabilities and tax provision are exposed to foreign exchange fluctuations. As at December 31, 2008, the company has a Canadian dollar tax payable equivalent to \$739,538 US dollars converted using December 31, 2008 exchange rates

SETTER CAPITAL INC.

**Computation of Net Capital Under Rule 15c3-1
of the Securities and Exchange Commission**

December 31, 2008

Schedule I

(In US Dollars)

	<u>2008</u>
Net Capital	
Total member's equity	\$ <u>2,031,621</u>
Total capital and allowable member's equity qualified for net capital	<u>2,031,620</u>
Deductions and/or charges:	
Non-allowable assets:	
Accounts Receivable	1,601,326
Property and equipment, net of accumulated depreciation	3,399
Other assets (prepaid expenses)	<u>5,055</u>
Total deductions and/or charges	1,609,780
Net capital before haircuts on foreign currency	421,840
Less: Haircuts on foreign currency	<u>29,977</u>
Net capital	\$ <u>391,863</u>
Aggregate indebtedness	
Items included in statements of financial conditions:	
Accounts payable, accrued expenses, and other liabilities	\$ <u>2,300,869</u>
Computation of basic net capital requirements	
Minimum net capital required (based on 6-2/3% of aggregate indebtedness)	\$ <u>153,238</u>
Minimum net capital required of reporting broker or dealer	\$ <u>5,000</u>
Net capital required (greater of above)	\$ <u>153,238</u>
Excess capital	\$ <u>238,625</u>
Ratio: Aggregate indebtedness to net capital	<u>5.87 : 1.00</u>

See Reconciliation for Material Differences from the Company's computation.

SETTER CAPITAL INC.

**Reconciliation of Company Computation of Net Capital and Aggregate Indebtedness
to Computation per Audited Financial Statements**

December 31, 2008

Reconciliation of Net Capital

Company Computation (per Dec 31, 2008 Focus Report)	\$ <u>284,651</u>
Adjustments:	
Exchange gain or loss on tax provision	(99,781)
Decrease in income tax provision	<u>(7,431)</u>
Net Capital as calculated above	\$ <u>391,863</u>

Reconciliation of Aggregate Indebtedness

Company Computation (per Dec 31, 2008 Focus Report)	\$ 2,408,081
Adjustments:	
Decrease in income tax provision	<u>(107,212)</u>
Aggregate Indebtedness as calculated above	\$ <u>2,300,869</u>

Read independent auditors' report on financial statements.

SETTER CAPITAL INC.

**Computation for Determination of the Reserve Requirements
Under Securities and Exchange Commission Rule 15c3-3 and
Information Relating to the Possession or Control Requirements
Under Securities and Exchange Commission Rule 15c3-3**

December 31, 2008

Schedule II

The Company is exempt from the requirements of Securities and Exchange Commission Rule 15c3-3 as it is operation under K(2)(i) exemption.

SETTER CAPITAL INC.

Report on Internal Control Required by SEC Rule 17a-5 for a Broker-Dealer Claiming an Exemption from SEC Rule 15c3-3

The Shareholder and Board of Directors

Setter Capital Inc.
272 Avenue Road
Toronto, ON M4V 2G7

In planning and performing our audit of the financial statements and supplemental schedules of Setter Capital Inc. (the "Company") for the year ended December 31, 2008, we considered its internal control, including control activities for safeguarding securities, in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control.

Also, as required by Rule 17a-5(g)(1) of the Securities and Exchange Commission ("SEC"), we have made a study of the practices and procedures followed by the Company including tests of such practices and procedures that we considered relevant to the objectives stated in SEC Rule 17a-5(g) in making the periodic computations of aggregate indebtedness (or aggregate debits) and net capital under SEC Rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of SEC Rule 15c3-3. Because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Company in any of the following:

1. Making quarterly securities examinations, counts, verifications, and comparisons and recordation of differences required by rule 17a-13.
2. Complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System.
3. Obtaining and maintaining physical possession or control of all fully paid and excess margin securities of customers as required by Rule 15c3-3.

Management of the Company is responsible for establishing and maintaining internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the SEC's above-mentioned objectives. Two of the objectives of internal control and the practices and procedures are to provide management with reasonable but not absolute assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in conformity with generally accepted accounting principles. SEC Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

This report recognizes that it is not practicable in an organization the size of the Company to achieve all the division of duties and cross-checks generally included in a system of internal accounting control, and that alternatively, greater reliance must be placed on surveillance by management.

SETTER CAPITAL INC.

Because of inherent limitations in internal control or the practices and procedures referred to above, error or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

Our consideration of internal control would not necessarily disclose all matters in internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted no matters involving internal control, including control activities for safeguarding securities, that we consider to be material weaknesses as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph on this report are considered by the SEC to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures were adequate at December 31, 2008, to meet the SEC's objectives.

The report is intended solely for the information and use of the Board of Directors, management, the SEC, FINRA, and other regulatory agencies that rely on SEC Rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers, and is not intended to be and should not be used by anyone other than these specified parties.

Toronto, Ontario
February 22, 2009

Leslie Slater, Chartered Accountant