



**BUILDING A SMART  
XPRESS STRONG  
ONLINE  
TRADING SYSTEM**



**LSE Securities Ltd.**



**Board of Directors**



**Anil Kumar Kalra**  
Chairman



**Vijay Singhania**  
Vice Chairman



**Naresh Bishnoi**  
Chief Executive Officer



**H. S. Sidhu**  
Director



**Lalit Kishore**  
Director



**Dr. M. A. Zahir**  
Public Representative



**Ashwani Kumar**  
Public Representative



**P. C. Garg**  
Public Representative



**Ajay Chaudhry**  
Public Representative



**Vinay Shrivastav**  
Public Representative





## COMPANY DETAILS

### BOARD OF DIRECTORS

Sh. Anil Kumar Kalra  
Sh. Naresh Bishnoi  
Sh. Vijay Singhania  
Sh. H.S. Sidhu  
Sh. Lalit Kishore  
Dr. M.A. Zahir  
Sh. Ashwani Kumar  
Sh. P.C. Garg  
Sh. Ajay Chaudhry  
Sh. Vinay Shrivastav

Chairman  
Chief Executive Officer  
Vice- Chairman  
Director  
Director  
Public Representative  
Public Representative  
Public Representative  
Public Representative  
Public Representative

Mr. Pritpal Singh  
(General Manager)

Mr. Pawan Babbar  
(Company Secretary)

#### Statutory Auditors

M/s Anoop K. Goel & Co.  
152 H, Lane 3, Adj. Jassal Engg. GTB Nagar,  
Chandigarh Road, Ludhiana 141010 (Punjab)  
Tele. Nos. 0161-3298838, 9814053109

#### Internal Auditors

M/s R.K. Deepak & Co.  
527-R, 2nd Floor, Citi Tower  
Model Town, Ludhiana. 141 002 (Punjab)  
Tele No. :- 0161-3018200-4

#### Registered Office

SCO 50, 1st Floor, Sector 34-A  
Chandigarh 160 022 (UT)  
Tele. Nos. 0172-3258091, 5012555  
Fax No. 0172-5072269  
E-mail : lse@satyam.net.in

#### Branches:

Amritsar  
35-36, 2nd Floor, Deep Complex  
Opp. Centurion Bank of Punjab  
Court Road, Amritsar 143 001 (Punjab)  
Ph. 0183-3258619  
Fax No. 0183-2542212

#### Corporate Office

1st Floor, Ludhiana Stock Exchange Building  
Feroze Gandhi Market, Ludhiana 141001 (Punjab)  
Tele Nos. 0161-2401647, 2774746, 2772317, 2404756,  
Fax No. 0161-2404748  
2401918

#### Jalandhar

Milbertan Building, PNB Chowk  
Jalandhar 144001 (Punjab)  
Ph: 0181-5073480  
Fax No. 0181-5073480

#### Bankers

HDFC Bank Ltd  
~~CITI Bank N.A.~~  
ICICI Bank Ltd.  
Indusind Bank Ltd.  
State Bank of India  
Punjab National Bank

#### Chandigarh

SCO-50, 1st Floor  
Sector 34-A  
Chandigarh 160 022 (UT)  
Tele. Nos. 0172-3258091, 5012555  
Fax No. 0172-5072269

#### Trading Cum Clearing Member

National Stock Exchange of India Ltd  
Bombay Stock Exchange Ltd.

#### Depository Participant

National Securities Depository Ltd  
Central Depository Services (India) Ltd  
PAN SERVICE CENTRE

### NOTICE TO ALL SHAREHOLDERS

Members may kindly note that in view of costs, Annual Reports shall not be circulated at the Annual General Meeting. Members are, therefore, requested to bring their own copy of the Annual Report.

If any member wishes to raise question (s) relating to agenda items, he/she may do so by sending the question(s) in writing to reach the Registered Office of the company at least seven days before commencement of the meeting. This approach is being suggested not only to ensure orderly proceedings but also to enable us meaningfully answer the queries raised by the members.

We solicit your co-operation in this respect.

Sd/-  
PAWAN BABBAR  
COMPANY SECRETARY





**LSE SECURITIES LIMITED**  
**REGISTERED OFFICE: SCO 50, 1<sup>st</sup> Floor, Sector 34-A**  
**Chandigarh 160 022.**

**NOTICE**

Notice is hereby given that the 7th Annual General Meeting of the members of the Company will be held on Saturday the 30th Day of September, 2006 at 11A.M. at Chandigarh Press Club, Sector 27-B, Chandigarh 160019, to transact the following business:

**AS ORDINARY BUSINESS:**

1. To receive, consider, and adopt the Audited Balance Sheet as at 31st March, 2006 and Profit and Loss Account for the year ended on that date along with the reports of Directors and Auditors' thereon.
2. To declare dividend.
3. To appoint a Director in place of Mr. Anil Kumar Kalra who retires by rotation and being eligible offers himself for reappointment.
4. To appoint Dr. M.A. Zahir, Public Representative, who retires at the conclusion of the Annual General Meeting. However, he shall continue in terms of Article 81(g) of Articles of Association of the company till the new Public Representative is appointed in his place.
5. To appoint Mr. Ashwani Kumar, Public Representative, who retires at the conclusion of the Annual General Meeting. However, he shall continue in terms of Article 81(g) of Articles of Association of the company till the new Public Representative is appointed in his place.
6. To appoint Mr. P.C. Garg, Public Representative, who retires at the conclusion of the Annual General Meeting. However, he shall continue in terms of Article 81(g) of Articles of Association of the company till the new Public Representative is appointed in his place.
7. To appoint Mr. Ajay Chaudhry, Public Representative, who retires at the conclusion of the Annual General Meeting. However, he shall continue in terms of Article 81(g) of Articles of Association of the company till the new Public Representative is appointed in his place.
8. To appoint Mr. Vinay Shrivastav, Public Representative, who retires at the conclusion of the Annual General Meeting. However, he shall continue in terms of Article 81(g) of Articles of Association of the company till the new Public Representative is appointed in his place.
9. To appoint Auditors for the current year and to fix their remuneration.

**AS SPECIAL BUSINESS:**

10. To consider and if thought fit to pass, with or without modifications, the following resolution as a special resolution.

"RESOLVED THAT pursuant to Section 31 and other applicable provisions, if any, of the Companies Act, 1956 and subject to the approval of concerned authorities, wherever required, existing Article 81 (a), of the Articles of Association of the company be deleted and substituted as under:

**81(a)** The Board of Directors of the Ludhiana Stock Exchange Limited shall nominate five Directors on the Board of the Company, who shall not be sub-brokers of the Company or the brokers of the Ludhiana Stock Exchange Limited. These Directors will be called Public Representatives.





Further the company shall elect five Directors from among its member shareholders and at every annual general meeting minimum 1/3 rd of the Member Directors shall retire by rotation. Such elected Directors on the Board of the company shall have a gap of at least one year after a consecutive period of two years before their re-appointment on the Board of Directors.

Provided that a person who has completed two consecutive terms as a Director of Ludhiana Stock Exchange Limited shall not be eligible for election as a Director of the company or for nomination as a member of any Committee of the company.

11. To appoint a Member Director in terms of Article 81 of the Articles of Association of the company.
12. To appoint a Member Director in terms of Article 81 of the Articles of Association of the company.
13. To consider and if thought fit to pass, with or without modifications, the following resolution as a special resolution.

"RESOLVED THAT in accordance with the provisions of section 80, 81, 81(1-A) and all other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification or re-enactment thereof, for the time being in force or any amendment in future thereto) and enabling provisions in the Memorandum and Articles of Association of the Company and subject to the approval of all other concerned authorities, if any, and to the extent necessary and such other appropriate permissions and sanctions, as may be necessary and subject to such conditions and modifications as may be prescribed or imposed by any of them while granting such approvals, permissions and sanctions, which may be agreed to by the Board of Directors of the Company ( hereinafter referred to as the "Board") the consent of the Company be and is hereby accorded to the Board to issue, offer and allot in one or more stages upto 3,51,500 Equity Shares of Rs.10/- each of the aggregate value of Rs. 35,15,000/- (Rs. Thirty Five Lacs and Fifteen Thousand Only) at a premium of Rs. 3.50/- ( Three Rupees and Fifty Paisa only) per share, to the persons/ entities as the Board at its sole discretion may at any time or times hereafter decide for general corporate purposes including capital expenditure, working capital requirements, strategic investments, as the Board may deem fit and/or by any one or more or a combination of the above modes/methods or otherwise and in one or more tranches, as may be permitted under the then prevailing laws, as the Board may in its absolute discretion think fit."

**By Order of the Board  
FOR LSE SECURITIES LIMITED**

**PLACE : LUDHIANA  
DATED : AUGUST 7, 2006**

Sd/-  
(PAWAN BABBAR)  
COMPANY SECRETARY

- Notes:
1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself/ herself and the proxy need not be a member of the company. The proxies, in order to be valid and effective, must be delivered at the registered office of the company at least 48 hours before the commencement of the meeting.
  2. Explanatory Statement pursuant to section 173(2) of The Companies Act, 1956 relating to the Special Businesses to be transacted at the Annual General Meeting is annexed hereto & forms part of the notice.
  3. The dividend declared, if any, will be paid to those Share-Holders whose names appear in the Register of Members after effecting the valid transfer requests lodged with the Company, on or before 14.09.2006 upto 5:00 P.M.
  4. Members are requested to bring their copy of Annual Report along with them to the Annual General Meeting.





## **ANNEXURE TO THE NOTICE**

### **EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956**

#### **ITEM NO. 10 OF SPECIAL BUSINESS:**

SEBI vide its letter no. MRD/DSA/C&D/72675/06 dated July 27, 2006 has informed that a person who has completed two consecutive terms as a Director of Ludhiana Stock Exchange Limited shall not be eligible for election as a director of the company or for nomination as a member of any Committee of the company. Further SEBI has advised that the Articles of the company be amended suitably.

The implementation of the provisions of SEBI letter requires the amendment in Articles of Association of the company as per provisions of the Companies Act, 1956.

Your Directors, therefore, recommend the said resolution for your approval.

None of the Directors is concerned or interested in the aforesaid resolution.

#### **ITEM NO. 11 & 12 OF SPECIAL BUSINESS.**

SEBI had amended SEBI (Stock Brokers and Sub-Brokers) Regulations, 1992 vide notification dated 23.09.2003. Further, SEBI vide its circular no. SEBI/MIRSD/DPS-1/Cir-31/2004 dated August 26, 2004 had inter alia prescribed the model format of the Tripartite Agreement between broker-sub broker and clients. The amended SEBI (Stock Brokers and Sub-Brokers) (Amendment) Regulations, 2003 provided that :

- There shall be a privity of relationship between the trading member and the sub-broker's client.
- The trading member shall issue contract notes to the sub-broker's client instead of the sale/purchase note by the sub-broker.
- The delivery of securities and the payment of funds relating to the transactions shall also be directly between the trading member and the client of the sub-broker.
- No Director of the Stock Broker shall act as a sub-broker to the same Stock Broker.

SEBI issued a circular dated 12.05.2005 inter alia stating that the subsidiaries of Regional Stock Exchanges would also implement the provisions of SEBI (Stock Brokers and Sub-brokers) (Amendment) Regulations, 2003 including format of tripartite agreement w.e.f. 01.06.2005. Accordingly the Articles of the company were amended and the sub broker directors of the company resigned from directorship of the company. The company in its 6th Annual General Meeting elected Sh. Anil Kumar Kalra, Sh. Vijay Singhania, Sh. Lalit Kishore, Sh. Shobit Kumar Sabharwal and Sh. Ashok Aggarwal as Member Directors.

A letter was received by the company from SEBI inter alia it was mentioned that under the amended Regulation 15 A of SEBI (Stock Brokers and Sub-brokers) (Amendment) Regulations, 2003 there is no distinction between an active and inactive sub broker and the directors of the company would either have to surrender their certificate of registration as sub brokers or step down as directors from the Board. The company was required to confirm compliance of this direction to SEBI on or before 18.01.2006. Sh. Shobit Kumar Sabharwal and Sh. Ashok Aggarwal were the two directors, who were registered with SEBI as sub brokers of the company but were inactive as sub-brokers at the time of their appointment as Directors of the company and taking cognizance of the above mentioned letter they submitted their resignation on 12.01.2006. The same was informed to SEBI on 13.01.2006.

The vacancies in directorships caused by resignation of Sh. Ashok Aggarwal and Sh. Shobit Kumar Sabharwal, Directors are to be filled in the ensuing Annual General Meeting of the company in terms of provisions of Article 81 of the Articles of Association which reads as:





81 (a) -----

*Further the company shall elect five Directors from among member shareholders and minimum 1/3 rd of the Directors shall retire by rotation. Such elected Directors on the Board of the company shall have a gap of at least one year after a consecutive period of two years before their re-appointment on the Board of Directors.*

81(i) *No Director of the company shall act as a Sub-broker of the company*

Further the proposed proviso to Article 81 (a) provides that:

*Provided that a person who has completed two consecutive terms as a Director of Ludhiana Stock Exchange Limited shall not be eligible for election as a Director of the company or for nomination as a member of any Committee of the company.*

Therefore, the members shall elect two Directors from among the member shareholders of the Company in terms of Article 81 of the Articles of Association of the Company at the ensuing Annual General Meeting.

Your Directors, therefore, recommend the said resolution for your approval.

None of the Directors is concerned or interested in the aforesaid resolution.

**ITEM NO. 13 OF SPECIAL BUSINESS:**

The company proposes to allot the equity shares of Rs. 10 each at a premium of Rs. 3.50 per share for general corporate purposes including capital expenditure, working capital requirements, strategic investments, as the Board may deem fit. The allotment will be made to the persons making application for the same. As per Unlisted Public Companies (Preferential Allotment) Rules, 2003 No issue of shares on a preferential basis can be made by a company unless authorized by its Articles of Association and unless a special resolution is passed by the members in a General Meeting authorizing the Board of Directors to issue the same. The required disclosures as per the mentioned rules are as under:

- (i) The shares are proposed to be allotted at a price of Rs. 13.50 per equity share.
- (ii) The price has been arrived at on the basis of book value of the shares as per annual audited accounts of the company for the year ended on 31.03.2006 as approved by the Board of Directors of the company in its meeting held on 07.08.2006 rounded off to nearest Rs. 0.50/-.
- (iii) The allotment is proposed to be made for general corporate purposes including capital expenditure, working capital requirements, strategic investments, as the Board may deem fit.
- (iv) The allotment will be made to the persons making application for the same.
- (v) The promoters/directors/key management persons may also subscribe to the offer.
- (vi) As on 07.08.2006, the promoters of the company jointly hold 55.49% of the total holding of the company and shall be holding 52.24% of the total holding after the proposed preferential allotment, in case promoters do not make application for further subscription.
- (vii) The allotment will be completed within next 12 months.
- (viii) No change in the control is intended or expected.

Your Directors, therefore, recommend the said resolution for your approval.

None of the Directors is concerned or interested in the aforesaid resolution.

**By order of the Board  
FOR LSE SECURITIES LIMITED**

**PLACE : LUDHIANA  
DATED : AUGUST 7, 2006**

**Sd/-  
(PAWAN BABBAR)  
COMPANY SECRETARY**





Dear Shareholders,

Your Directors have great pleasure in placing before you the 7th Annual Report and Audited Statements of Accounts of the company for the year ended 31st March, 2006.

#### 1. FINANCIAL HIGHLIGHTS

The financial results of the Company for the year under review as compared to the previous year are summarized below:

(Amount in Lacs)

SR. NO.	PARTICULARS	31.03.2006	31.03.2005
1.	<b>Profit Before Depreciation, Interest and Tax (PBDIT)</b>	<b>177.68</b>	<b>160.38</b>
2.	Depreciation	27.44	17.79
3.	Interest	0.52	0.22
4.	<b>Profit Before Tax (PBT)</b>	<b>149.72</b>	<b>142.37</b>
5.	Provision for Taxation		
	a. Current	46.50	56.00
	b. Deferred	04.55	0.30
	c. Earlier Years	00.00	7.29
	d. Fringe Benefit Tax	01.52	0.00
6.	<b>Profit After Tax (PAT)</b>	<b>97.15</b>	<b>78.78</b>
7.	<b>Balance brought forward from previous years</b>	<b>67.43</b>	<b>1.12</b>
8.	<b>Profit available for appropriation</b>	<b>164.58</b>	<b>79.90</b>
9.	<b>Appropriations</b>		
	a. Proposed Dividend	27.77	10.94
	b. Corporate Dividend Tax	03.89	1.53
10.	<b>Surplus carried to Balance Sheet</b>	<b>132.92</b>	<b>67.43</b>
11.	<b>Earning Per Share (EPS)</b>		
	a. Basic	1.75	1.43
	b. Diluted	1.74	1.43

#### 2. OPERATING RESULTS

During the year under review the company has earned Profit Before Depreciation, Interest and Tax (PBDIT) of Rs. 177.68 lacs as compared to the corresponding previous year figure of Rs. 160.38 lacs. The Company has registered a net profit growth of 10.79% as compared to the corresponding previous year. The company earned an income of Rs. 420.45 lacs in the current year as compared to income of Rs. 394.61 lacs earned in the corresponding previous year and has registered a growth of 6.55%.

##### Profitability

Your Directors feel pleasure while informing that your company has registered a growth of 5.16% in its profitability as compared to the previous year and the accumulated profits of the company have increased to the tune of Rs. 132.92 lacs as compared to Rs. 67.43 lacs in the corresponding previous year. Similarly, the networth of the company as on 31.03.2006 stood at Rs. 739.85 lacs as compared to Rs. 669.81 lacs during the corresponding previous year.

##### Turnover

During the year under review, your company has been able to achieve an average daily turnover of Rs. 35 crores in "Capital Market" (CM) & Rs. 110 crores in "Futures & Options" (F&O) Segments of National Stock Exchange of India Limited and Rs. 20 crores in the "Capital Market: (CM) Segment of Bombay Stock Exchange Ltd. Further, keeping the consistent increasing trend in the Depository Participant (DP) Services Business of NSDL and CDSL, the company has been able to register higher business and profitability in its DP Operations as compared to previous year.

#### 3. DIVIDEND

The Board of Directors has recommended payment of dividend @ 5% on equity share capital of the company for the financial year ended 31.03.2006 on pro rata basis. The total dividend outgo including dividend tax thereon will be Rs. 31.66 lacs as against Rs. 12.47 lacs in the corresponding previous year.

#### 4. MANAGEMENT DISCUSSIONS AND ANALYSIS REPORT

##### a) Trading at NSE and BSE in Capital Market Segment

During the year under review, your company has recorded a turnover of Rs. 8613 crores and Rs. 4920 crores in Capital Market Segment of





the National Stock Exchange of India Limited and Bombay Stock Exchange Ltd. respectively. As on 31.03.2006, there has been total 137 SEBI Registered Sub-brokers of the company in NSE and 89 SEBI Registered Sub-brokers in BSE.

**b) F&O Segment of NSE**

During the year under review your company has recorded a turnover of Rs.27343 crores in the Futures & Options Segment of National Stock Exchange of India Limited.

**c) Depository Participant Services**

The Depository Participant (DP) business has emerged as a good profit center of the company and the company has successfully been able to increase its DP Business by encashing its Institutional image in the market. Total number of DP accounts as on 31.03.2006 were 25344 and 6713 in NSDL & CDSL respectively as against 22639 and 1497 accounts during the corresponding period of last year.

Further in order to provide satisfactory and timely services to its clients in Himachal Pradesh, the company has finalized location for its new DP branch at Una. The branch will become fully operational very soon.

**d) Future Outlook**

During the year under review the overall Market condition remained favorable for the Industry and quite good activities in primary/secondary markets and mutual funds were witnessed. During the current year Sensex touched its all time high level of 12671 on 11.05.2006 and since May 2006 onwards lot of volatility has been witnessed in the market. On 22.05.2006 there was a historic down fall in which the Sensex fell down with its highest ever 1111 points on single day. Further the volatility phase in the market is still continuing & till now during the current year the Sensex touched its lowest level of 8799 on 14.06.2006 after reaching its all time highest level in May 2006.

However, your company has been able to maintain its business volumes at almost same levels in comparison to previous year & it is expected that your company would be able to maintain its turnover during the current year also despite the stiff Competition posed by the entry of other market players in our territory. This is due to our ability to provide low cost & better quality services to constituents in comparison to other stock broking and depository outfits in the region.

**5. STRUCTURAL CHANGES IN THE COMPANY**

**a) Broker Client Relationship**

In compliance to the SEBI Notification on SEBI (Stock Brokers and Sub-brokers) (Amendments) Regulations, 2003, the company has fully implemented the same during the financial year ended on 31st March, 2006. Further after implementation of the above said Regulations the company has registered all the clients of its sub brokers with it and is having direct dealings with them. The company is directly settling the funds and securities obligations of all the clients registered with it.

**b) Internet Trading**

In its continuous endeavour to provide qualitative services to its valued clients the company has started e-broking trading services for its clients. This would increase the geographical reach of the company across the globe and is expected to result into increase in number of broking clients and turnover of the company.

**c) PAN Service Centre**

The company has started the services of Authorised PAN Service Agent. For this purpose the company has tied up with UTI - Technology Services Ltd., Mumbai. As an authorized PAN Service Agent the company would be providing services with regard to distribution and collection of PAN form 49A & Composite Service Form to/from the applicants.

**d) Future of Regional Stock Exchange Subsidiaries Post Demutualisation of Regional Stock Exchanges**

SEBI Committee to study the Future of Regional Stock Exchanges (RSEs) post Demutualisation submitted its report in May 2006 wherein interalia it has been reported that the future of the subsidiaries is interlinked with the survival of their parent Regional Stock Exchange. The committee has given following two recommendations regarding future of Subsidiaries of Regional Stock Exchanges :

1. In case of the RSE whose recognition is withdrawn has a subsidiary, such an entity would also have to change its name and style to avoid any representation of any present or past affiliation with an exchange. It would be up to the subsidiary to carry on broking operations as any other broking entity registered with SEBI. The subsidiaries' demand of level playing field could then easily be recommended as they become brokers (or other registered financial intermediaries) simplicitor. This would necessitate the NSE to modify suitably its norms relating to dominant holdings in the case of these entities. SEBI should consider extending turnover fee continuity benefit to such entity.
2. In case of the subsidiaries of the RSEs whose recognition is not withdrawn, the RSEs should preferably cease to have any shareholding in the subsidiary within a period of three years. However, the RSEs may be allowed to retain less than 15% of the shareholding in the spun off entity.

The recommendations of the committee, if implemented would require the company to become independent of its parent RSE i.e. Ludhiana Stock Exchange Ltd. within a period of three years from the date of implementation of this committee recommendation.

Further there is a proposal of granting limited trading membership rights of BSE to the eligible trading members of Ludhiana Stock Exchange Ltd. For this purpose an agreement has been drafted and clause 13 of this proposed agreement reads as under :





### 13. CESSATION OF OPERATIONS BY SUBSIDIARY OF RSE

- i) Within three months from the date of commencement of trading by Eligible Trading Members under the arrangement herein, RSE shall ensure that its subsidiary ceases its brokerage operations in the cash segment.
- ii) Within three months of BSE intimating RSE that BSE's F & O (Derivatives) Segment has achieved adequate build to warrant migration of trading operations from the subsidiary of RSE, RSE shall ensure that its subsidiary ceases its brokerage operations in the F & O (Derivatives) segment.

If the agreement is implemented, the company will have to stop its operations in the Cash and F & O Segments in a phased manner.

### 6. DIRECTORS

The following are the present Directors of Your Company :

1. Mr. Anil Kumar Kalra	Chairman
2. Mr. Vijay Singhanian	Vice Chairman
3. Mr. Naresh Bishnoi	Chief Executive Officer
4. Mr. H.S. Sidhu	Director
5. Mr. Lalit Kishore	Director
6. Dr. M.A. Zahir	Public Representative
7. Mr. Ashwani Kumar	Public Representative
8. Mr. P.C. Garg	Public Representative
9. Mr. Ajay Chaudhry	Public Representative
10. Mr. Vinay Shrivastav	Public Representative

In order to give effect to the SEBI notification on SEBI (Stock Brokers and Sub-brokers) (Amendments) Regulations, 2003 Sh. Ashok Aggarwal and Sh. Shobit Kumar Sabharwal, Directors, resigned from the Board as Directors on 12.01.2006. Further the name of Sh. Vinay Shrivastav as a Public Representative on the Board of the company was approved by SEBI on 30.05.2006. Accordingly, Sh. Dina Nath Sharma, Public Representative being longest in the office ceased to be on the Board of the company.

At present, Mr. Anil Kumar Kalra, Mr. Vijay Singhanian and Mr. Lalit Kishore are the Member-Directors on the Board of the Company and in accordance with the requirement of Article 81(a), 81(e) and 81(f) of Articles of Association of the company, Mr. Anil Kumar Kalra, is liable to retire by rotation at the ensuing Annual General Meeting, and being eligible offers himself for reappointment as Director.

Further Dr. M.A. Zahir, Mr. Ashwani Kumar, Mr. P.C. Garg, Mr. Ajay Chaudhry & Mr. Vinay Shrivastav, Public Representatives are also liable to retire at the ensuing Annual General Meeting and shall continue as Public Representatives in terms of Article 81(g) of Articles of Association of the company.

Further the two vacancies in directorships caused by resignation of Sh. Ashok Aggarwal and Sh. Shobit Kumar Sabharwal, Directors are also to be filled in the ensuing Annual General Meeting of the company. Therefore, three vacancies amongst Member-Directors are to be filled up in the ensuing Annual General Meeting.

Your Directors place on record their appreciations for sincere, dedicated and valuable services rendered to the company by Sh. Dina Nath Sharma, Sh. Ashok Aggarwal and Sh. Shobit Kumar Sabharwal & other gentlemen on the Board during their tenure.

### 7. CORPORATE GOVERNANCE

Although your Company is not listed with any Stock Exchange and hence it is not necessary for the company to comply with the requirements of the Corporate Governance, yet it has complied with the important requirements of Audit Committee in terms of provisions of the Companies Act, 1956. The Audit Committee is headed by Sh. Ajay Chaudhry, an independent Director on the Board of the Company who is an advocate by profession.

Other members of the Committee are Sh. Vijay Singhanian, Vice Chairman, Mr. P.C. Garg, Advocate, Mr. Ashwani Kumar, Chartered Accountant, Mr. Naresh Bishnoi, Chief Executive Officer and Mr. H. S. Sidhu, Director. The Audit Committee has reviewed the Final Accounts of the Company before these were submitted for the consideration of the Board.

Further the Audit Committee in its meeting held on 01.04.2006 recommended to the Board that the penalty of Rs.4,84,216/- imposed upon the company for violations of Market Wide Position Limit and Client Level Position Limits in F&O Segment be recovered from the respective clients.

The Board in its meeting held on 03.05.2006 and 12.05.2006 discussed and deliberated the matter and observed that since there was no provision in the trading software whereby LSE Securities Ltd. could restrict its Authorised Persons/ Clients from taking any fresh position in scrips under the banned period, which was got incorporated later on. Accordingly, the Board decided that the company should itself bear the burden of this penalty.





**8. CONSERVATION OF ENERGY**

The Company is engaged in Stock Broking, Depository Activities and has no activity pertaining to manufacturing and as such furnishing of details as required under Section 217(1) (e) of the Companies Act, 1956 regarding conservation of energy is not applicable.

**9. TECHNOLOGY ABSORPTION**

The particulars as prescribed under Section 217 (1)(e) of the Companies Act, 1956, read with the Companies (Disclosures of Particulars In the Report of Board of Directors) Rules, 1988, in respect to technology absorption are nil.

**10. FOREIGN EXCHANGE EARNINGS AND OUTGO**

The particulars as prescribed under sub section (1)(e) of section 217 of the Companies Act 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, in respect to foreign exchange earnings and outgo are nil.

**11. PARTICULARS OF EMPLOYEES**

Pursuant to the provisions of Section 217 (2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975, as amended, none of the employees of the company is in receipt of remuneration which requires disclosure under the said Section.

**12. DIRECTORS' RESPONSIBILITY STATEMENT**

Pursuant to Section 217(2AA) of the Companies (Amendment) Act, 2000, the Directors confirm that in the preparation of the annual accounts, the applicable Accounting Standards have been followed, appropriate accounting policies have been selected and applied consistently and judgments and estimates have been made that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2006 and of Income and Expenditure of the Company for the year ended on 31st March, 2006. Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities, and the annual accounts have been prepared on a going concern basis.

**13. COMPLIANCE TO ACCOUNTING STANDARDS**

The Company during the year has complied with Accounting Standards issued by the Institute of Chartered Accountants of India as applicable to it.

**14. AUDITORS'**

M/s Anoop K. Goel & Co., Chartered Accountants, the Statutory Auditors of the company, shall retire at the conclusion of the forthcoming Annual General Meeting and being eligible offer themselves for re-appointment.

**15. AUDITORS' REPORT**

The Auditors' Report read with Notes to Accounts is self explanatory and does not call for further comments as there are no adverse remarks in the Auditors' Report.

**16. PERSONNEL**

Your Directors place on record their heartiest appreciation for the sincere, devoted and dedicated services rendered by the staff for the smooth functioning of the Company, its growth and implementation of new systems necessitated by the structural changes made in the Capital Market by SEBI, NSE, BSE and other regulatory authorities from time to time.

**17. ACKNOWLEDGEMENT**

The Board wishes to place on record its gratitude for the kind co-operation, assistance, and continued support to the Company by the office-bearers, Members and officials of the Ludhiana Stock Exchange Limited, the Ministry of Finance, Central Government, the Securities and Exchange Board of India (SEBI), the Government of Punjab, Local Administration, the National Stock Exchange of India Limited (NSEIL), Bombay Stock Exchange Ltd, (BSE) and other Stock Exchanges and their Subsidiary Companies, the National Securities Depository Limited (NSDL) and the Central Depository Services (India) Limited (CDSL), the bankers and other business associates of the company.

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS

PLACE : LUDHIANA  
DATED : AUGUST 7, 2006

ANIL KUMAR KALRA  
(CHAIRMAN)





## AUDITORS' REPORT

**The Members,  
LSE Securities Limited**

1. We have audited the attached balance sheet of LSE Securities Limited as at 31st March, 2006, the related Profit & Loss Account and Cash Flow Statement of the company for the year ended on that date annexed thereto which we have signed under reference to this report. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We have conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about 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. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditors' Report) Order, 2003 as amended by the companies (Auditors Report) (Amendment) Order, 2004 (The "Order") issued by the Central Government in terms of sub-section (4A) of Section 227 of the Companies Act, 1956 of India (The "Act") and on the basis of such checks of the books and records of the company as we considered appropriate and according to the information and explanation given to us, we enclose in the Annexure a statement on the matters specified in paragraph 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above, we report that:
  - (i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
  - (ii) In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books;
  - (iii) The balance sheet, Profit & Loss Account and cash flow statement dealt with by this report are in agreement with the books of account.
  - (iv) In our opinion, these accounts have been prepared in compliance with the applicable accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
  - (v) On the basis of written representations received from the directors, as on 31st March 2006 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March 2006 from being appointed as a Director in terms of Clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
  - (vi) In our opinion and to the best of our information and according to the explanations given to us, the said financial statements together with the notes thereon and attached thereto and statement on significant accounting policies given in the prescribed manner, the information required by the Act, and also give a true and fair view in conformity with the accounting principles generally accepted in India:
    - (a) in the case of the Balance Sheet, of the state of affairs of the company as at 31st March 2006;
    - (b) in the case of the Profit & Loss Account of the net profit for the year ended on that date; and
    - (c) In the case of the Cash Flow Statement of the Cash Flows, for the year ended on that date.

**For ANOOP K. GOEL & CO.  
Chartered Accountants,**

**PLACE : LUDHIANA.  
DATED : AUGUST 7, 2006**

**Anoop Kumar (Partner)  
Membership Number : 096966**





**ANNEXURE TO THE AUDITORS' REPORT**  
(Referred to in paragraph 3)

- (i) (a) The company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.  
(b) According to the information and explanations given to us the fixed assets have been physically verified by the management during the year. No material discrepancies were noticed on such physical verification. In our opinion, the frequency of physical verification of fixed assets is reasonable with regard to the size of the Company and nature of its business.  
(c) According to the information and explanations given to us, the company has not disposed off substantial part of its fixed assets during the year and the going concern status of the Company is not affected.
- (ii) The Company's nature of operations does not require it to hold inventories. Accordingly, clause 4(ii) of the Companies (Auditors' Report) Order, 2003 ('the Order') is not applicable.
- (iii) The Company has neither granted nor taken any loans, secured or unsecured, from companies, firms or other parties listed in the Register maintained under Section 301 of the Act, paragraphs 3(b), 3(c), 3(d), 3(f) and 3(g) of the Order, are not applicable.
- (iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchase of fixed assets and the sale of services. The activities of the Company do not involve purchase of inventory and the sale of goods. We have not observed any major weakness in the Internal control system during the course of the Audit.
- (v) (a) According to the information and explanations given to us, we are of the opinion that the transactions that need to be entered into the register maintained under Section 301 of the Companies Act, 1956 have been so entered.  
(b) In our opinion and according to the information and explanations given to us, the transaction made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 and exceeding the value of rupees five lakhs in respect of any party during the year have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.
- (vi) The Company has not accepted any deposits from the public and consequently, the directives issued by Reserve Bank of India, the provisions of Sections 58A and 58AA of the Companies Act, 1956 and the rules framed thereunder are not applicable.
- (vii) In our opinion, the company has an internal audit system commensurate with the size and nature of its business.
- (viii) According to the information and explanations given to us, the Central Government has not prescribed the maintenance of cost records under clause (d) of sub-section (1) of Section 209 of the Companies Act, 1956 in respect of services carried out by the company.
- (ix) (a) According to the information and explanations given to us, and on the basis of our examination of the books of accounts, the Company has been regular in depositing with appropriate authorities undisputed statutory dues (except as mention in clause ix(b) herein after) including provident fund, employees' state insurance, income tax, sales tax, customs duty, investor education and protection fund, wealth tax and any other material statutory dues applicable to it.  
(b) According to the information and explanation given to us, a stamp duty liability of Rs.86.67 lacs outstanding as on 31.03.2006 but has not since been paid due to uncertainty about its jurisdiction. Besides above no undisputed amounts payable in respect of Income Tax, wealth tax, sales tax, customs duty, excise duty and cess were in arrears, as at 31.03.2006 for a period of more than six month from the date they became payable.  
(c) According to the information and explanation given to us, there are no dues of sale tax, income tax, customs duty, wealth tax, excise duty and cess which have not been deposited in account of any dispute.
- (x) The company has neither accumulated losses as at March 31,2006, nor it has incurred any cash losses during the financial year ended on that date and the immediately preceding financial year.
- (xi) Based on our audit procedures and on the information and explanations given by the management, in our opinion, the Company has not defaulted in repayment of dues to any financial institution or bank as at the balance sheet date.
- (xii) The company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Accordingly, clause 4 (xii) of the order is not applicable.
- (xiii) The company is not a chit fund, nidhi, mutual benefit fund or a society. Accordingly, clause 4 (xiii) of the order is not applicable.
- (xiv) The Company is not dealing or trading in shares, securities, debentures and other investments in its own name, but it is a member of BSE & NSE and trading & dealing in shares, securities, debentures and other investment through its sub-brokers only, therefore, clause (xiv) is not applicable on it.
- (xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from Banks or financial institutions. Accordingly, clause (xv) of the order is not applicable.
- (xvi) The company has not obtained any term loans, accordingly clause (xvi) of the order is not applicable.
- (xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the company, we report that no funds raised on short term basis have been used for long term investment.
- (xviii) According to the information and explanations given to us, the company has not made any preferential allotment of shares to the parties covered in the register maintained under Section 301 of the Act. Accordingly, clause (xviii) of the order is not applicable.
- (xix) According to the information and explanations given to us, during the period covered by our audit report, the company had not issued any debentures accordingly clause (xix) of the order is not applicable.
- (xx) The company has not raised any money by public issues during the year. Accordingly, clause 4(xx) of the order is not applicable.
- (xxi) According to the information and explanations given to us, no fraud on or by the company has been noticed or reported during the year.

**For ANOOP K. GOEL & CO.**  
Chartered Accountants,

PLACE : LUDHIANA  
DATED : AUGUST 7, 2006

Anoop Kumar (Partner)  
Membership Number : 096966





**LSE SECURITIES LIMITED  
BALANCE SHEET AS AT 31ST MARCH ,2006**

**AMOUNT IN RUPEES**

<b>PARTICULARS</b>	<b>SCHEDULE</b>	<b>AS AT 31.03.2006</b>	<b>AS AT 31.03.2005</b>
<b>I. SOURCES OF FUNDS</b>			
<b>1. SHAREHOLDERS' FUNDS</b>			
a) Share Capital	1	55555000	55100000
b) Share Application Money		1664210	15000
c) Reserves & Surplus	2	18429845	11881322
		<b>75649055</b>	<b>66996322</b>
<b>2.DEFERRED TAX LIABILITY</b>		976000	521000
<b>TOTAL</b>		<b>76625055</b>	<b>67517322</b>
<b>II. APPLICATION OF FUNDS</b>			
<b>1. FIXED ASSETS</b>			
a) Gross Block	3	17892369	11225107
b) Less : Depreciation		9939608	7195521
c) Net Block		<b>7952761</b>	<b>4029586</b>
<b>2. CURRENT ASSETS, LOANS &amp; ADVANCES</b>			
a) Sundry Debtors	4	69745641	2664927
b) Cash & Bank Balances		170103144	119489685
c) Other Current Assets		833295802	289172900
d) Loans & Advances		49409468	69842883
<b>TOTAL (A)</b>		<b>1122554055</b>	<b>481170395</b>
<b>LESS:CURRENT LIABILITIES &amp; PROVISIONS</b>			
Current Liabilities & Provisions	5	1053881761	417682659
<b>TOTAL (B)</b>		<b>1053881761</b>	<b>417682659</b>
<b>NET CURRENT ASSETS (A-B)</b>		68672294	63487736
<b>TOTAL</b>		<b>76625055</b>	<b>67517322</b>

**NOTES TO ACCOUNTS** 10

The Schedules referred above form an integral part of the Balance Sheet

As Per our report of even date attached

**For ANOOP K.GOEL & CO.  
CHARTERED ACCOUNTANTS**

**FOR AND ON BEHALF OF THE BOARD OF DIRECTORS**

**(ANOOP KUMAR)  
PARTNER  
MEMBERSHIP NO.096966**

**ANIL KUMAR KALRA  
CHAIRMAN**

**NARESH BISHNOI  
CHIEF EXECUTIVE OFFICER**

**H.S.SIDHU  
DIRECTOR**

**PALCE : LUDHIANA  
DATED : AUGUST 7, 2006**

**PAWAN BABBAR  
COMPANY SECRETARY**

**HARI NARAYAN PAL  
SR.EXECUTIVE ACCOUNTS**





LSE SECURITIES LIMITED  
PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2006

AMOUNT IN RUPEES

PARTICULARS	SCHEDULE	CURRENT YEAR	PREVIOUS YEAR
<b>INCOME</b>			
Turnover Charges -BSE		2224720	1874491
Turnover Charges -NSE		17031409	13683202
Depository Income		13214819	12721616
Interest on Bank Deposits		5796899	4645513
Other Income	6	3777587	6536214
<b>TOTAL</b>		<b>42045434</b>	<b>39461036</b>
<b>EXPENDITURE</b>			
Personnel Expenses	7	6476653	4770407
Administrative Expenses	8	8044675	7442314
Operating Expenses	9	9808230	11232906
Depreciation & Amortisation		2744087	1778532
<b>TOTAL</b>		<b>27073645</b>	<b>25224159</b>
<b>PROFIT BEFORE TAX</b>		<b>14971789</b>	<b>14236877</b>
Less Provision			
- Current Tax		4650000	5600000
- Deferred Tax		455000	30000
- Fringe Benefit Tax		152000	-
Add - Income Tax Adjustments Earlier Years		-	728596
<b>PROFIT AFTER TAX</b>		<b>9714789</b>	<b>7878281</b>
<b>ADD : BALANCE BROUGHT FORWARD</b>		<b>6742992</b>	<b>111707</b>
<b>BALANCE AVAILABLE FOR APPROPRIATION</b>		<b>16457781</b>	<b>7989988</b>
<b>APPROPRIATIONS</b>			
Proposed Dividend on Equity Shares		2776817	1093616
Corporate Dividend Tax		389449	153380
<b>BALANCE CARRIED TO BALANCE SHEET</b>		<b>13291515</b>	<b>6742992</b>
<b>EARNING PER SHARE</b>			
<b>(Rs per Equity Share of Rs 10 each)</b>			
Basic		1.75	1.43
Diluted		1.74	1.43
No.of Shares used in Computing Earning Per Share (Basic EPS)		5553634	5510000
No.of Shares used in Computing Earning Per Share(Diluted EPS)		5582123	5510822

**NOTES TO ACCOUNTS**

10

The Schedules referred above form an integral part of the Profit & Loss Account  
As Per our report of even date attached

For ANOOP K.GOEL & CO.  
CHARTERED ACCOUNTANTS

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS

(ANOOP KUMAR)  
PARTNER  
MEMBERSHIP NO.096966

ANIL KUMAR KALRA  
CHAIRMAN

NARESH BISHNOI  
CHIEF EXECUTIVE OFFICER

H.S.SIDHU  
DIRECTOR

PLACE : LUDHIANA  
DATED : AUGUST 7, 2006

PAWAN BABBAR  
COMPANY SECRETARY

HARI NARAYAN PAL  
SR.EXECUTIVE ACCOUNTS





**LSE SECURITIES LIMITED**  
**CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2006**

AMOUNT IN RUPEES

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit Before Tax	14971789	14236877
Adjustment for Depreciation	2744087	1778532
Interest Expenses	51894	22408
Amount Written Off/Written Back	1217539	-2150560
Loss On Sale of Investments	-	268059
<b>OPERATING SURPLUS BEFORE WORKING CAPITAL CHANGES</b>	<b>18985309</b>	<b>14155316</b>
( Increase ) / Decrease in Sundry Debtors	-68292863	15820
( Increase ) / Decrease in Other Current Assets	-544122902	-97877761
( Increase ) / Decrease in Loans & Advances	21310574	-5533294
Increase / (Decrease) in Sundry Creditors	93597138	-5194277
Increase / (Decrease) in Security From Members	538171470	139140678
Increase / (Decrease) in Other Liabilities	2477224	1568046
Taxes Paid (Net)	-5650549	-7546236
<b>NET CASH FROM / (USED IN) OPERATING ACTIVITIES</b>	<b>56475401</b>	<b>38728292</b>
<b>CASH USED IN INVESTING ACTIVITIES</b>		
Disinvestment In Subsidiary	-	-260059
Increase in Fixed Assets	-6667262	-1581072
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>-6667262</b>	<b>-1841131</b>
<b>CASH FLOW FROM / (USED IN) FINANCING ACTIVITIES</b>		
Dividend Paid Including Dividend Tax Rs.153380	-1246996	-
Share Capital	455000	-
Share Application Money	1649210	15000
Interest Expenses	-51894	-22408
<b>NET CASH FLOW FROM / (USED IN) FINANCING ACTIVITIES</b>	<b>805320</b>	<b>-7408</b>
Net Cash Inflows/(Outflows)	50613459	36879753
Cash & Cash Equivalent at beginning of the period	119489685	82609932
<b>CASH &amp; CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>170103144</b>	<b>119489685</b>

As Per our report of even date attached

For ANOOP K.GOEL & CO.  
 CHARTERED ACCOUNTANTS

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS

(ANOOP KUMAR)  
 PARTNER  
 MEMBERSHIP NO.096966

ANIL KUMAR KALRA  
 CHAIRMAN

NARESH BISHNOI  
 CHIEF EXECUTIVE OFFICER

H.S.SIDHU  
 DIRECTOR

PLACE : LUDHIANA  
 DATED : AUGUST 7, 2006

PAWAN BABBAR  
 COMPANY SECRETARY

HARI NARAYAN PAL  
 SR.EXECUTIVE ACCOUNTS





LSE SECURITIES LIMITED  
SCHEDULES FORMING PART OF BALANCE SHEET AS AT 31 ST MARCH 2006.

AMOUNT IN RUPEES

PARTICULARS	AS AT 31.03.2006	AS AT 31.03.2005
<b>SCHEDULE 1 - SHARE CAPITAL</b>		
<b>AUTHORISED</b>		
60,00,000 Equity Shares of Rs 10/- each	60000000	60000000
20,00,000 8% Cumulative Redeemable Preference Shares of Rs 10/-each	20000000	-
	<b>80000000</b>	<b>60000000</b>
<b>ISSUED, SUBSCRIBED AND PAID UP</b>		
5555500 Equity Shares of Rs.10/- each Fully Paid Up ( Previous Year 5510000 Equity Shares of Rs. 10 each )	55555000	55100000
	<b>55555000</b>	<b>55100000</b>
Out of above 30,89,700 shares of Rs.10/- each fully paid up are held by Ludhiana Stock Exchange Ltd. i.e. Holding Company		
<b>SCHEDULE 2 - RESERVES &amp; SURPLUS</b>		
General Reserve	5138330	5138330
Surplus as per annexed Profit & Loss Account	13291515	6742992
	<b>18429845</b>	<b>11881322</b>





**LSE SECURITIES LIMITED  
SCHEDULE 3 - FIXED ASSETS**

AMOUNT IN RUPEES

PARTICULARS	<===== GROSS BLOCK =====>				<===== DEPRECIATION =====>				NET BLOCK			
	AS AT 01-04-2005	ADDITIONS	SALE/ ADJUSTMENT	AS AT 31-3-2006	AS AT 01-04-05	FOR THE YEAR	REVERSED DURING THE YEAR	AS AT 31-03-06	AS AT 31-3-06	AS AT 31-03-05		
AIR CONDITIONER	56600	-	-	56600	6124	6882	-	13006	42594	49476		
COMPUTERS	10651910	2051046	-	12702956	7001963	1762201	-	8764164	3938792	3649947		
COOLERS	6330	-	-	6330	774	773	-	1547	4783	5566		
CYCLE	1600	-	-	1600	1600	-	-	1600	-	-		
ELECTRONIC AUTO LOCK	12518	-	-	12518	339	1694	-	2033	10485	12179		
FANS & ELECTRICAL FITTINGS	14667	3280	-	17947	634	5232	-	5866	12081	14033		
FIRE FIGHTING EQUIPMENT	8225	-	-	8225	8225	-	-	8225	-	-		
FURNITURE & FIXTURES	268031	320655	-	588686	106618	95118	-	201736	386950	161413		
GENERATOR	77497	-	-	77497	11282	9211	-	20493	57004	66215		
GLOW SIGN BOARD	17626	18750	-	36376	2995	2837	-	5832	30544	14631		
OFFICE EQUIPMENT	12093	-	-	12093	12093	-	-	12093	-	-		
REFRIGERATOR	7180	-	-	7180	897	874	-	1771	5409	6283		
TELEPHONE & TELEX	91830	67776	-	159606	41977	18114	-	60091	99515	49853		
<b>TOTAL -A</b>	<b>11225107</b>	<b>2461507</b>	<b>-</b>	<b>13686614</b>	<b>7195521</b>	<b>1902936</b>	<b>-</b>	<b>9098457</b>	<b>4588157</b>	<b>4029586</b>		
<b>B) INTANGIBLE ASSETS</b>												
COMPUTER SOFTWARE	-	4205755	-	4205755	-	841151	-	841151	3364604	-		
<b>TOTAL -B</b>	<b>-</b>	<b>4205755</b>	<b>-</b>	<b>4205755</b>	<b>-</b>	<b>841151</b>	<b>-</b>	<b>841151</b>	<b>3364604</b>	<b>-</b>		
<b>TOTAL CURRENT YEAR</b>	<b>11225107</b>	<b>6667262</b>	<b>-</b>	<b>17892369</b>	<b>7195521</b>	<b>2744087</b>	<b>-</b>	<b>9939608</b>	<b>7952761</b>	<b>4029586</b>		
<b>TOTAL PREVIOUS YEAR</b>	<b>9644035</b>	<b>1581072</b>	<b>-</b>	<b>11225107</b>	<b>5416989</b>	<b>1778532</b>	<b>-</b>	<b>7195521</b>	<b>4029586</b>			





**LSE SECURITIES LIMITED**  
**SCHEDULES FORMING PART OF BALANCE SHEET AS AT 31 ST MARCH 2006.**

**AMOUNT IN RUPEES**

<b>PARTICULARS</b>	<b>AS AT 31.03.2006</b>	<b>AS AT 31.03.2005</b>
<b>SCHEDULE 4 - CURRENT ASSETS LOANS &amp; ADVANCES</b>		
<b>(a) SUNDRY DEBTORS</b>		
<b>(I) SECURED :</b>		
Sundry Debtors NSE	4785338	27888
Sundry Debtors BSE	2057820	127673
Sundry Debtors Broking Clients	57023864	-
Other - Debtors	1719127	208155
	<b>65586149</b>	<b>363716</b>
<b>Out of which</b>		
More than six months	8377	22474
Others	65577772	341242
	<b>65586149</b>	<b>363716</b>
<b>(II) Unsecured, Considered good unless otherwise stated</b>		
Sundry Debtors-DP	4159492	2301211
<b>Out of which</b>		
More than Six months	1826708	415970
Others	2332784	1885241
	<b>4159492</b>	<b>2301211</b>
<b>TOTAL (a) ( I + II )</b>	<b>69745641</b>	<b>2664927</b>
<b>(b) CASH &amp; BANK BALANCES</b>		
Cash and Imprest	89745	79501
<b>(b) Bank Balances with Scheduled Banks</b>		
(i) In Current Accounts	67513399	9558184
(ii) In Fixed Deposits	102500000	109852000
<b>TOTAL (b)</b>	<b>170103144</b>	<b>119489685</b>
<b>( c ) OTHER CURRENT ASSETS</b>		
1. Members' FDRs kept as Security	229689440	185654687
2. Members' Scrips kept as Security	154843300	101323600
3. Scrips held on behalf of Clients	447075995	-
4. Interest Accrued on FDRs	1687067	2194613
<b>TOTAL ( c )</b>	<b>833295802</b>	<b>289172900</b>





**LSE SECURITIES LIMITED**  
**SCHEDULES FORMING PART OF BALANCE SHEET AS AT 31 ST MARCH 2006.**

**AMOUNT IN RUPEES**

<b>PARTICULARS</b>	<b>AS AT 31.03.2006</b>	<b>AS AT 31.03.2005</b>
<b>(d) LOANS &amp; ADVANCES</b>		
<b>(Unsecured, considered good unless otherwise stated)</b>		
1. Advances Recoverable in Cash or in kind or for value to be received-Considered Good	608067	448717
2. Security Deposits	47401644	69106684
3. Prepaid Expenses	401940	172214
4. Advance Income Tax (Net of Provisions)	997817	115268
<b>TOTAL (d)</b>	<b>49409468</b>	<b>69842883</b>
<b>GRAND TOTAL OF CURRENT ASSETS, LOANS &amp; ADVANCES</b>	<b>1122554055</b>	<b>481170395</b>

**SCHEDULE 5 - CURRENT LIABILITIES AND PROVISIONS**

**CURRENT LIABILITIES**

**SUNDRY CREDITORS**

Sundry Creditors NSE	447958	496033
Sundry Creditors BSE	757721	149013
Sundry Creditors Broking Clients	92469288	-
Wipro Ltd	130013	-
Auction Amount Payable - Local	-	237537
DP Charges Received in Advance	1001360	422837
SEBI Turnover Fee Payable - NSE	268430	172212
	<b>95074770</b>	<b>1477632</b>

**SECURITY FROM MEMBERS**

**(Kept with the principal stock exchanges as margins)**

**(A) Bombay Stock Limited, Mumbai (BSE)**

In form of FDRs	29940686	21044687
In form of Funds	14227600	11349000
	<b>44168286</b>	<b>32393687</b>

**(B) The National Stock Exchange of India (NSE)**

In form of FDRs	199748754	164610000
In form of Funds	63499468	75962046
In form of Scrips	154843300	101323600
	<b>418091522</b>	<b>341895646</b>





LSE SECURITIES LIMITED  
SCHEDULES FORMING PART OF BALANCE SHEET AS AT 31 ST MARCH 2006.

AMOUNT IN RUPEES

PARTICULARS	AS AT 31.03.2006	AS AT 31.03.2005
<b>(C) Security Deposit from Members</b>		
Kept with BSE for Capital Market	10000000	7800000
Kept with NSE for Capital Market	19100000	18475000
Kept with NSE for F&O	4975000	4675000
Scripts held on behalf of Clients	447075995	-
	<b>481150995</b>	<b>30950000</b>
<b>TOTAL SECURITIES FROM MEMBERS (A+B+C)</b>	<b>943410803</b>	<b>405239333</b>
<b>OTHER LIABILITIES</b>		
Expenses Payable	2088967	2452663
TDS Payable	30161	229146
Service Tax Payable	36000	59996
Stamp Duty Payable	8666608	6224622
Other Liabilities	1364186	589271
Synergy Software Ltd	-	153000
Rent Security from Members	10000	10000
	<b>12195922</b>	<b>9718698</b>
<b>TOTAL</b>	<b>12195922</b>	<b>9718698</b>
<b>PROVISIONS</b>		
Proposed Dividend	2776817	1093616
Corporate Dividend Tax thereon	389449	153380
Provision for Fringe Benefit Tax (Net of Advance Tax)	34000	-
	<b>3200266</b>	<b>1246996</b>
<b>TOTAL OF CURRENT LIABILITIES &amp; PROVISIONS</b>	<b>1053881761</b>	<b>417682659</b>





**LSE SECURITIES LIMITED**  
**SCHEDULES FORMING PART OF PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2006.**

**AMOUNT IN RUPEES**

<b>PARTICULARS</b>	<b>CURRENT YEAR</b>	<b>PREVIOUS YEAR</b>
<b>SCHEDULE 6 - OTHER INCOME</b>		
<b>Relating Trading on BSE</b>		
Annual Subscription Fee	44000	45000
Bolt Terminal Charges	1334993	1041800
CPF , TGF & IPF Charges received	10620	13188
Miscellaneous Income	-	1935
	<b>1389613</b>	<b>1101923</b>
<b>Relating Trading on NSE</b>		
Additional Licence Fee for Neat XS	471590	747430
IPF Charges	365164	257369
Auction Charges Recd. NSE	-	2191
	<b>836754</b>	<b>1006990</b>
<b>Miscellaneous Receipts</b>		
BSNL CUG Charges	-	2250000
SEBI Fee	465253	851790
Auction Receipts	345260	534946
Other Misc. Receipts	740707	790565
<b>TOTAL</b>	<b>3777587</b>	<b>6536214</b>

**SCHEDULE 7 - PERSONNEL EXPENSES**

Basic Salary	2229240	1965153
Dearness Allowance	1197448	853963
House Rent Allowance	632798	477662
Conveyance Allowance	326252	241223
Ex-Gratia	204029	153377
Bonus	76517	-
Leave Encashment	209915	125787
Contribution to PF/EPF/ESI	601776	546634
Medical Reimbursement	150179	137269
Contribution to Gratuity	259001	33581
Staff Welfare	507583	175569
Staff Recruitment Exps.	21909	21544
Training Expenses	60006	38645
<b>TOTAL</b>	<b>6476653</b>	<b>4770407</b>





**LSE SECURITIES LIMITED**  
**SCHEDULES FORMING PART OF PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31 ST MARCH 2006.**

**AMOUNT IN RUPEES**

<b>PARTICULARS</b>	<b>CURRENT YEAR</b>	<b>PREVIOUS YEAR</b>
<b>SCHEDULE 8- ADMINISTRATIVE EXPENSES :</b>		
Legal & Professional Charges	107443	69820
Travelling & Conveyance - Directors	218859	71813
Travelling & Conveyance - Others	385693	283837
Printing & Stationery	679168	713881
Auditors' Remuneration		
- Statutory Audit Fee	40000	40500
- Out of Pocket Expenses	9091	2890
Internal Auditors' Remuneration- Audit Fees	68640	68324
Internal Auditors' (Out of Pocket) Expenses	38170	54013
Audit Fees- System Audit	10316	-
Sub Broker Inspection Charges	88406	21942
Postage & Courier Charges	704860	777656
Computer Hardware & Software Maintenance	1072058	1277145
Board Meeting Expenses	5533	3265
Committee Meeting Fees	18250	4500
Telephone, Telex & Fax Charges	659935	492176
Insurance paid	47496	53044
Sitting Fees to Public Representatives	41000	13500
Office Maintenance Expenses	319124	265783
Filing Fees	107500	12500
General Expenses	269884	162696
Cable TV Expenses	147447	77175
Electric Charges	57598	53978
Photocopy/Photostate Charges	71244	75797
Guest House Expenses	18445	-
Donation	-	200000
Advertisement Expenses	47741	35559
General Repair & Maintenance	140874	70683
Computer Media Charges	208391	195300
Rent Paid	1249360	1226570
Vsat connectivity charges	-	202500
Bad Debts written off	1212149	647408
Loss on investment in subsidiary	-	268059
<b>TOTAL</b>	<b>8044675</b>	<b>7442314</b>





LSE SECURITIES LIMITED  
SCHEDULES FORMING PART OF PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2006.

AMOUNT IN RUPEES

PARTICULARS	CURRENT YEAR	PREVIOUS YEAR
<b>SCHEDULE 9- OPERATING EXPENSES</b>		
<b>STOCK EXCHANGE EXPENSES</b>		
<b>i) Bombay Stock Exchange Limited., Mumbai</b>		
BOI Shareholding Ltd. Charges	5951	18342
Annual Subscription	7000	7000
Security Transaction Tax-BSE	27640	7306
Contribution to IPF / TGF	9811	7669
Lease Line Charges MTNL	211708	149238
Insurance & Other Expenses	-	14264
VSAT Support Charges	1342364	791100
Miscellaneous Expenses	44721	31925
	<b>1649195</b>	<b>1026844</b>
<b>ii) National Stock Exchange of India Limited., Mumbai</b>		
Annual Subscription	100000	100000
Security Transaction Tax-NSE	36829	13181
Contribution to CPF	295466	225954
V-SAT Support Charges	550000	684395
Miscellaneous Expenses	145040	67368
	<b>1127335</b>	<b>1090898</b>
<b>DEPOSITORY EXPENSES</b>		
Depository Participant Expenses.-NSDL	3265300	4193782
Depository Participant Expenses.-CDSL	1693929	807194
Commission paid to sub-brokers on DP Accounts	83725	193662
	<b>5042954</b>	<b>5194638</b>
<b>OTHERS</b>		
SEBI Fee	48410	1059758
Service Tax Paid	-	2340000
NSE/BSE Charges	365192	124025
Financial Charges	116515	25827
Auction Charges NSE/BSE	710464	-
Compensation Expenses	350000	-
Cost of Additional Licences of Neat- XS	398165	370916
	<b>1988746</b>	<b>3920526</b>
<b>TOTAL</b>	<b>9808230</b>	<b>11232906</b>





**LSE SECURITIES LIMITED**

**SCHEDULE-10 NOTES TO ACCOUNTS FOR THE YEAR ENDED ON 31.03.2006**

**I. SIGNIFICANT ACCOUNTING POLICIES**

**a) Accounting Convention**

The accounts are prepared on accrual basis under the historical cost convention in accordance with the Accounting standards referred to in Sub Section (3C) of Section 211 of the Companies Act, 1956 and other relevant provisions of the said Act.

**b) Revenue Recognition**

The Company follows accrual system of accounting in accordance with the normally accepted accounting principles. Income in respect of zero holding depository accounts is accounted for at the time of reasonable certainty of its collection.

**c) Fixed Assets**

Fixed assets are stated at historical cost less depreciation.

**d) Intangible Assets**

Intangible assets are stated at cost less accumulated amount of amortization.

**e) Depreciation**

Depreciation is provided on written down value method on all the assets of the Company. Depreciation for the year is provided in accordance with and in the manner specified in the schedule XIV to the Companies Act.1956.

Depreciation on assets costing Rs.5000/- or less has been provided @100%.

**f) Amortization**

Intangible Assets are amortized on straight line method. These assets are amortized over their estimated useful life.

**g) Retirement benefits.**

**(1) Provident Fund**

The Provident fund is deposited in accordance with the Employees Provident Fund and Miscellaneous provisions Act, 1952 and the employers contribution is charged to the Profit and Loss Account.

**(2) Gratuity**

The Company has taken a group Gratuity Policy from LIC of India to cover gratuity liability & annual gratuity premium paid to LIC is debited to Profit & Loss account.

**h) Membership Entrance Fee with NSE/BSE**

The membership fee paid to NSE/BSE for acquiring trading rights at these exchanges has been shown under the head security deposits in Loans & Advances.

**i) Accounting for Taxes on Income & Fringe Benefit Tax**

The accounting treatment followed for taxes on income is to provide for Current Tax and Deferred Tax. Current Tax is the amount of Income Tax determined to be payable in respect of taxable income for a period. Deferred tax is the tax effect of timing differences.





Fringe Benefit Tax is provided on the aggregate amount of Fringe Benefit determined in accordance with the provisions of the relevant enactments at the specified rate of tax.

**j) Impairment of Assets**

At each balance sheet an assessment is made whether any indication exists that an asset has been impaired. If any such indication exists, an impairment loss i.e. the amount by which the carrying amount of an asset exceeds its recoverable amount is provided in the books of account.

- k) The Company has a procedure of receiving FDRs from its sub-brokers as margins. Such Fixed Deposits are in the name of the Company and are kept with the principle Stock Exchange as margin money. The Interest earned/accrued on such FDRs is credited by the issuing bank directly to the account of the concerned Sub-Brokers, as such the interest on such FDRs has not been accrued to the Company's account.

**l) Provisions and Contingent Liabilities**

Provisions are recognized for liabilities that can be measured by using a substantial degree of estimation, if :

- (I) The company has a present obligation as a result of a past event
- (II) Probable outflow of resources embodying economic benefits is expected to settle the obligation ; and
- (III) The amount of the obligation can be reliably estimated.

**Contingent liability is disclosed in the case of :**

- 1) a present obligation arising from a past event when it is not probable that an outflow of resources embodying economic benefit will be required to settle the obligation,  
or
- 2) a possible obligation, unless the probability of outflow in settlement is remote.

**II NOTES TO ACCOUNTS**

1. Intangible assets (Computer Software) are amortized over a period of five years being the useful life estimated by the management, beginning with the year in which the said assets are put to use.
2. The Company has deposited FDRs in its name with NSE " capital Market" & "F & O" segments amounting Rs 34000000(Rs Three crore Forty lacs only) & BSE amounting to Rs 41500000 (Rs Four crore Fifteen lacs Only) for margin as well as Base Minimum/Additional Capital and are shown under the head Fixed Deposit with scheduled banks.
3. **CONTINGENT LIABILITY**  
A Bank Guarantee amounting to Rs 100 Lacs has been issued by Bank of Punjab Ltd. In favour of BSE and three Bank guarantees of Rs 50 Lacs, Rs 50 Lacs and Rs 100 Lacs have been issued by Federal Bank Ltd, Oriental Bank of Commerce and ING Vysya Bank Ltd respectively in favour of NSE and the same is secured by a lien of the bank on FDRs of the like amount belonging to the holding Company, i.e The Ludhiana Stock exchange Ltd. Further, a Bank Guarantee amounting to Rs 200 Lacs has been issued by Punjab National Bank In favour of BSE against FDR of Rs 100 Lacs.
4. A sum of Rs 86.67 Lacs has been shown as stamp duty payable as on 31.03.2006 under Maharashtra State Stamp Duty Act & Chandigarh UT Stamp Duty Act. This amount could not be deposited with the appropriate authorities in the absence of clarification regarding the jurisdiction.
5. Figures of the previous year have been regrouped/rearranged/reclassified to make them comparable with the current year's figures, wherever considered necessary.





6. Figures have been rounded off to the nearest rupee value.
7. The Company is not a manufacturing Company and therefore information as required under item 4C & 4D of PART II of the schedule VI of the Companies Act, 1956 is not applicable to the Company.

As Per our report of even date attached  
Signature to schedule 1 to 10

For ANOOP K.GOEL & CO.  
CHARTERED ACCOUNTANTS

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS

(ANOOP KUMAR)  
PARTNER  
MEMBERSHIP NO.096966

ANIL KUMAR KALRA  
CHAIRMAN

NARESH BISHNOI  
CHIEF EXECUTIVE OFFICER

H.S.SIDHU  
DIRECTOR

PLACE : LUDHIANA  
DATED : AUGUST 7, 2006

PAWAN BABBAR  
COMPANY SECRETARY

HARI NARAYAN PAL  
SR.EXECUTIVE ACCOUNTS





**LSE SECURITIES LIMITED**  
**BALANCE SHEET ABSTRACT & COMPANY'S GENERAL BUSINESS PROFILE**  
**(SUBMITTED IN TERMS OF PART IV OF SCHEDULE VI TO THE COMPANIES ACT, 1956)**

**I. Registration Details**

Registration No.            State Code    
 Balance Sheet Date

**II. Capital Raised during the year (Amount in Thousands)**

Public Issue    Right Issue     
 Bonus Issue    Private Placement

**III. Position of Mobilisation and Deployment of Funds (Amount in Thousands)**

Total Liabilities      Total Assets       
 Source of Funds Reserves & Surplus       
 Paid up Capital      Deferred Tax Liability     
 Share Application Money     Unsecured Loans     
 Secured Loans     
 Application of Funds Investment     
 Net Fixed Assets     Misc. Expenditure     
 Net Current Assets

**IV. Performance of Company (Amount in Thousands)**

Gross Receipts      Total Expenditure       
 Profit Before Tax      Profit After Tax      
 Earning Per Share    Dividend Rate %  %

**V. Generic Names of Three Principal Products/Services of Company (as per monetary terms)**

Item Code No. (ITC Code) : Not applicable  
 Product Description : NIL  
 Schedule 1 to 10 form integral part of Accounts and have been duly authenticated.

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS

ANIL KUMAR KALRA  
 CHAIRMAN

NARESH BISHNOI  
 CHIEF EXECUTIVE OFFICER

H.S.SIDHU  
 DIRECTOR

PLACE : LUDHIANA  
 DATED : AUGUST 7, 2006

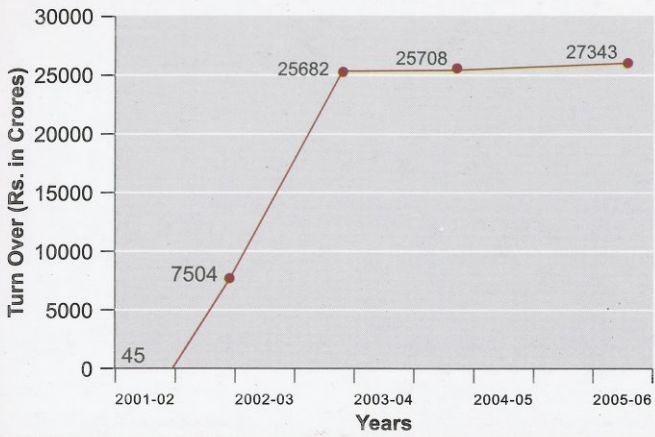
PAWAN BABBAR  
 COMPANY SECRETARY

HARI NARAYAN PAL  
 SR. EXECUTIVE ACCOUNTS

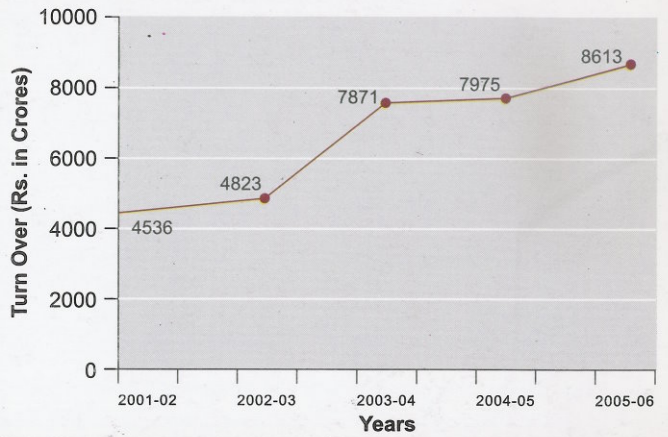


# Performance Indicators

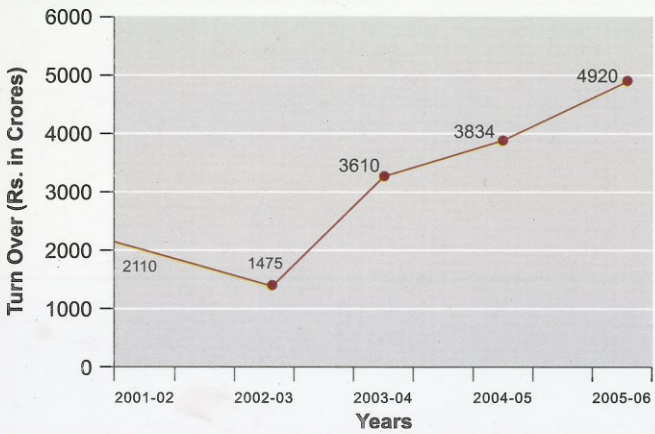
## Turnover NSE (F & O)



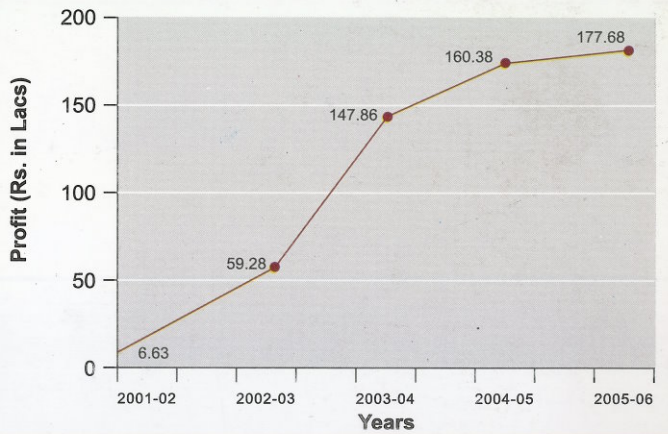
## Turnover NSE (Cash)



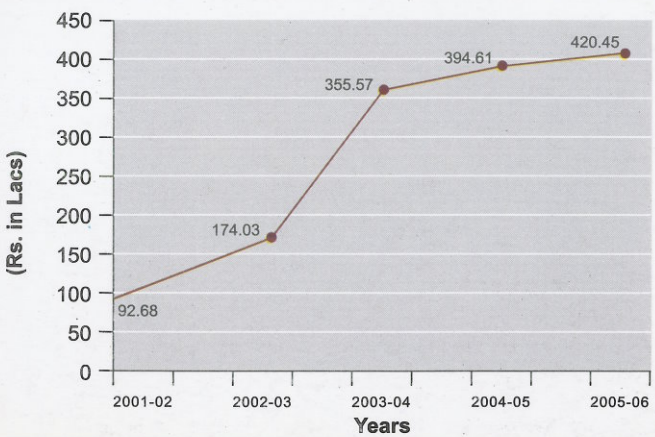
## Turnover BSE (in Cash)



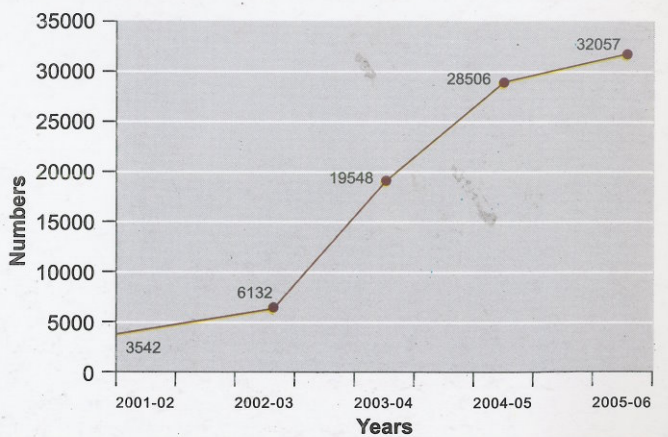
## Profit before Interest, Tax & Depreciation



## Income



## Demat Accounts





## Punjab's Leading Brokerage House Offers

### On Line Trading at NSE & BSE

(Access to largest markets on a single trading terminal)

### DP Services of NSDL & CDSL

(Lowest rates, faster settlement & greatest convenience)

### Large Network of Traders

(Over 135 Registered Traders all over Punjab, Himachal, Haryana & Delhi)

### Bidding & Collection Centre for IPOs

## Allied Services

PAN Service Centre

Training & Advisory Services



## LSE SECURITIES LTD.

(A subsidiary of Ludhiana Stock Exchange Ltd.)

Registered Office : SCO 50, 1st Floor, Sector 34-A, Chandigarh 160022 (UT). Ph. : 0172-3258091

Corporate Office : LSE Building, Feroze Gandhi Market, Ludhiana 141001 (Punjab)  
Ph: 0161-2772317, 2774716, 4612317-18

### Branches:

1. Jalandhar : Milbertan Building, PNB Chowk, Jalandhar-144001 (Punjab) Ph. 0181-5073480
2. Chandigarh : SCO 50, 1st Floor, Sector 34-A, Chandigarh-160022 (UT) Ph. 0172-5012555, 3258091
3. Amritsar : Chowk Fawara, 17, 1st Floor, Krishna Market, Amritsar-143001 (Punjab) Ph. 0183-3299483
4. Amritsar : 35-36, 2nd Floor, Deep Complex, Opp. Centurion Bank of Punjab, Court Road, Amritsar-143001 (Punjab) Ph. 0183-2542212
5. Una : Chaudhary Ram Sharan Saini Complex, Near Bus Stand, Distt. Una. (H.P.) (Opening Shortly)