

PSE SECURITIES LTD.

BOARD OF DIRECTORS

- | | | |
|-----|-------------------------|--------------------------------------|
| 1. | Shri. Paresh Mehta | Chairman (till 18/8/2003) |
| 2. | Shri. Narendra Palrecha | Director |
| 3. | Shri. Sameer Gandhi | Director |
| 4. | Shri. Rajendra Daga | Director |
| 5. | Shri. Sandeep Shah | Director |
| 6. | Shri. Manish Rangari | Whole time Director (Employee) |
| 7. | Shri. Sanjay Shah | Director (till 28/1/2003) |
| 8. | Shri. Satish K. Vidwans | Director (till 28/9/2002) |
| 9. | Shri. Bhushan Mahajan | Director (till 28/10/2002) |
| 10. | Shri. M. R. Gokhale | Director (Employee) (till 11/2/2003) |

AUDITORS

A. H. JOSHI & CO.

CHARTERED ACCOUNTANTS

i

REGISTERED OFFICE

1ST FLOOR, "SHIVLEELA CHAMBERS", 752, SADASHIV PETH,
KUMTHEKAR MARG, PUNE - 411 030.

PSE SECURITIES LTD.

"Shivleela Chambers, 752, Sadashiv Peth,
Kumthekar Marg, Pune - 411 030.

NOTICE

Notice is hereby given that the 4th Annual General Meeting of the members of the PSE Securities Limited will be held on Friday the 19th day of September, 2003 at 4.00 p.m. at the Registered Office of PSE Securities Limited, 1st Floor, Shivleela Chambers, 752, Sadashivpeth, Kumthekar Marg, Pune - 411 030, to transact the following business :

ORDINARY BUSINESS:

- 1) To receive, consider and adopt the Profit and Loss account for the year ended 31st March 2003 and Balance Sheet as on that date together with the report of Directors and Auditors thereon.
- 2) To appoint the Auditors and fix their remuneration.

SPECIAL BUSINESS:

- 3) 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 the Article No.25 of the Articles of Association of the Company be and is hereby substituted as follows:

Article No.25

- (a) : The Number of Directors shall not be less than three and shall not be more than ten.
- (b) The Company shall have one Chief Executive Officer(CEO). The CEO shall not hold any position concurrently in the Pune stock exchange (parent exchange). The appointment, the terms and conditions of service, the renewal of appointment and the termination of service of CEO shall be subject to prior approval of SEBI. The CEO of the company shall be a director on the Board of the company. The CEO shall not be a sub-broker of the company or a broker of the Pune Stock exchange. The CEO of the company shall be appointed by the Board through open advertisement. The educational qualifications and experience shall be similar to that of the Executive Director of the stock exchange and the remuneration and other terms of appointment shall be decided by the board.
- c) At least 50% of Directors representing on the Board of company shall not be sub-brokers of the company or brokers of Pune Stock exchange (parent exchange). These directors (excluding CEO) shall be called the Public Representatives.
- d) The Public Representatives shall be nominated by the Pune Stock exchange (subject to prior approval of SEBI).
- e) Public Representatives to be nominated as directors of company shall be from amongst the persons of integrity having necessary professional competence and experience in the areas related to securities market.
- f) For purpose of nomination as Public Representatives the Governing body of Pune Stock exchange may forward the names of the persons to the SEBI for its approval. The SEBI shall, however have the right to nominate persons, whose names have not been forwarded by the governing body of the Pune stock exchange.

- g) The Public Representatives to be appointed as directors shall hold the office for a period of one year from the date of assumption of the office or till the Annual General Meeting of company whichever is earlier.
 - h) There should be a gap of at least one year after a consecutive period of three years before re-nomination of any person for the post of non-member director.
 - i) The Pune Stock exchange may appoint a maximum of two directors who are officers of the Pune Stock exchange. Such directors shall be in addition to 50% non member directors (public representatives) mentioned above. The remaining directors can be elected by the shareholders amongst themselves. The member Directors of the company shall have a gap of at least one year after a consecutive period of two years before renomination to the Board.
- 4) 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 the Articles of Association of the Company be and is hereby altered by insertion of the following Article after the existing Article No.43.

Article No.43(a) :

“The subsidiary company, PSE Securities Limited can register only the members of the parent exchange, Pune Stock exchange as sub-brokers / dealers of the subsidiary company and no other client/sub-broker / dealer can be entertained by the subsidiary company. Hence, the member / sub-broker / dealer has to be eligible to trade on parent stock exchange to be eligible to trade through the subsidiary company as its sub-broker / dealer.”

By Order of the Board of Directors of
PSE Securities Limited

N.K.Palrecha
Director

Manish Rangari
Whole time Director

Date : 20/8/2003
Place : Pune

NOTES:

A member entitled to attend and vote is entitled to appoint a Proxy to attend and vote at the meeting instead of himself and Proxy need not be a member.
Proxy to be effective must be deposited at the Registered office of the company at least forty-eight hours before the time fixed for the meeting.

Explanatory Statement as per the provisions of Section 173(2) of the Companies Act, 1956 is enclosed.

**EXPLANATORY STATEMENT AS PER THE PROVISIONS OF SECTION 173(2)
OF THE COMPANIES ACT, 1956.**

Item No. 3 -- SEBI vide its Circular No.SMD/Policy/Cir-4/2003 dt. February 11th, 2003, read in conjunction with SEBI Circular No.SMD/SEAD/9971/03 dt.May 21st, 2003, letter dt. May 23rd, 2003 and the Administrator of Pune Stock Exchange letter dt. May 26th, 2003, SEBI letter No.SMD/SEAD/PSE/11408/03 dt.June 10th, 2003 and Administrator's letter dt.June 26th, 2003 addressed to the Chairman of PSE Securities Limited Board informed about the reconstitution of Subsidiary company board. As per the SEBI clarifications the elected Broker Directors who were part of the superseded Board of the exchange can not continue as Directors on the Board of the subsidiary company, PSE Securities Limited. Three new member broker Directors are to be appointed by the shareholders at the Annual General Meeting.

The total Board member strength of PSE Securities Limited is ten as per the Articles of Association. As per the SEBI guidelines the board should be reconstituted and should have at least 50% Public Representative Directors i.e.5 No., three Broker elected Directors, one Chief Executive Officer and at present one Exchange Director as ex-Officio member on the Board of PSE Securities Limited. Incidentally, as per circular of SEBI dt.February 11th, 2003, the parent Exchange i.e. Pune Stock Exchange Limited has already forwarded the names of Public Representatives on the Board of PSE Securities Limited for SEBI's approval.

The Exchange at present will appoint one Director as ex-officio member on the Board of PSE Securities Limited.

The company is in the process of appointing the Chief Executive Officer as per the SEBI guidelines, who will be a Director on the Board of PSE Securities Limited. The selection process and terms of appointment are being placed before SEBI for their approval.

Your approval is sought for the same.

Item No. 4 -- SEBI Vide its letter No. SEBI/SMD/SE/Cir-20/2003/02/06 dt.June 02, 2003 has directed to make the necessary provisions in the rules, regulations and the byelaws as well as in the Memorandum/ Articles of Associations of the subsidiary companies to the effect that the only members eligible to trade on the parent stock exchange are eligible to trade/ continue to trade through the subsidiary company. Accordingly the Amendments to the Articles of Association are proposed.

Your approval is sought for the same..

By Order of the Board of Directors of
PSE Securities Limited

N.K.Palrecha
Director

Manish Rangari
Whole time Director

Date : 20/8/2003

Place : Pune

DIRECTORS' REPORT

The Directors are pleased to present the fourth Annual Report together with the audited accounts for the year ended 31st March 2003.

Financial Results:

The year ended at 31st March 2003 with excess of income over expenditure to the extent of Rs.5.63 lacs.

The figures in short are as given below:

(Rs. in Lacs)

	2002-2003	2001 - 2002
Income	97.04	74.82
Less :		
Expenses	42.07	24.86
Profit / (loss) before Depreciation & Tax	54.97	49.96
Less:		
1) Depreciation	36.55	51.10
2) Prov. For Tax	06.61	Nil
3) Prior period Adjustments	06.18	Nil
Profit / (Loss) during the yr. after Depreciation & Tax	05.63	(1.14)

Operations:

The fourth year under review was rather eventful as the company initiated various activities to pave way for widening the scope of its business.

The Company started its trading operations through NSE on June 14th, 2001. From a turnover of Rs.12.5 Crores in the first month of operations the Company has achieved a turnover of more than Rs.38 Crores / day in the subsequent month. Nearly 86 sub-brokers are operational at PSE Securities Limited and are operating successfully on LAN and WAN set-up.

The Company has obtained the approval for Depository membership of CDSL and NSDL. Sub-brokers have been given the operational Depository training with regards to CDSL operations. CDSL Depository operations are expected to start in the coming few weeks after the recruitment of trained staff. The Company has also made application to NSE for the F & O membership and forwarded the application to SEBI, for which approval is awaited. It will be the priority of the Directors of the Company to offer the best services to the members by adopting the latest technology available.

Dividend:

The Board of Directors have not recommended any dividend for the current year.

Audit Committee:

The Board of PSE Securities Limited is to be reconstituted as per SEBI directives. The Company is in a process of identifying and inducting public representatives into the Board of Directors of the company so as to comply with the requirement of constitution of the Audit Committee.

Administrator – Pune Stock Exchange Limited:

The Directors have noted that the Board of Directors of parent Exchange i.e.Pune Stock Exchange Limited had been superseded by SEBI, vide the Extraordinary Gazette of India Notification, dated April 4th, 2003 and appointed Administrator Shri.B.D.Banerjee, to exercise and perform all the powers and duties of the Board of Pune Stock Exchange Limited (PSE). In this role as also PSE being the holding company and majority stakeholder of the subsidiary company, PSE Securities Limited, the administrator has been taking keen interest in the affairs of the subsidiary company and has been giving guidance as necessary.

Details of Conservation of energy and Technology Absorption:

Details of Conservation of energy and Technology Absorption are given in **Annexure I** to the Directors Report and attached the report enclosed herewith to Directors Report. Considering the nature of business your Directors have nothing to state in this regard.

Foreign Exchange Earnings and Out go:

Foreign Exchange earnings and out go were nil during the current year.

Fixed Deposits:

Company has not accepted any deposits from the public in the current year.

Particulars of Employees:

No employee is drawing remuneration more than Rs.2,00,000/- p.m. and Rs.24.00 lacs p.a. Therefore the provisions of Section 217(2A) of the Companies Act 1956 and Rules to The Companies [Particulars of Employees] Rules, 1975 are not applicable.

Auditors:

M/s. A. H. Joshi & Co.- Chartered Accountants, retire as Statutory Auditors of the Company at this Annual General Meeting. You are requested to appoint the Statutory Auditors and fix their remuneration for the current year.

As per Companies Act 1956, to name the Directors who will be retiring and offering themselves for reappointment:

SEBI vide its Circular No.SMD/Policy/Cir-4/2003 dt. February 11th, 2003, read in conjunction with SEBI Circular No.SMD/SEAD/9971/03 dt.May 21st, 2003, and SMD/SEAD/PSE/11408/03 dt.June 10th, 2003 has advised Pune Stock Exchange Limited for the reconstitution of their Subsidiary company's Board within a time frame of two months.

Responsibilities of Parent Exchange towards the Subsidiary Company:

As per SEBI guidelines the parent exchange i.e.Pune Stock Exchange Limited shall be responsible for all risk management of the subsidiary company i.e.PSE Securities Limited and shall set up appropriate mechanism for the supervision of the trading activity of subsidiary company. Such mechanism shall include:

- a) Verification of compliance of margin payments and other risk management measures applicable to the subsidiary company as a broker member of another exchange.
- b) Reporting requirements between the subsidiary and exchange, such as placing quarterly

reports on the financial and accounts of the subsidiary and on review of operations of the subsidiary before the Governing Board of exchange at its meetings.

- c) Conducting of half-yearly inspections of the subsidiary and 20% of its sub-brokers and placing such reports before the Governing Board of exchange.
- d) Handling of investor complaints of sub-brokers of the subsidiary company.

The Directors hereby confirm having noted and taking steps to implement the above guidelines through the formation of full-fledged Board.

Directors Responsibility Statement:

As per the provisions of section 217(2AA) of the Companies Act, 1956 the Directors of the company hereby state that

- a) In the preparation of Annual Accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures,
- b) The Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give true and fair view of the state of affairs of the company at the end of the financial year and of the profit or loss of the company for that period,
- c) The Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities,
- d) The Directors had prepared the Annual Accounts on a going concern basis.

Acknowledgements:

The Directors would like to place on record their appreciation to the Pune Stock Exchange Limited and to the Administrator, Shri.B.D.Banerjee for his continued support and guidance.

The results of an organization are greatly reflective of the efforts put in by the people who work for/with the company. The Directors fully recognize the contribution made by the employees of the company and other persons for successful operations of the company.

The Directors also wish to place on record their appreciation for the faith and trust reposed by the Bombay Stock Exchange, National Stock Exchange, CDSL, NSDL, Bankers, Shareholders, Investors, Auditors, Company Secretary, Financial Institutions and other individuals / bodies. It is the fervent wish of the PSE Securities Limited that through their support and guidance, the company will make significant strides to become dynamic and vibrant organisation.

The Directors would also like to thank the Securities and Exchange Board of India for its continued support and guidance which has gone a long way in giving present shape to the subsidiary company.

By Order of the Board of Directors of
PSE Securities Limited

N.K.Palrecha
Director

Manish Rangari
Whole time Director

Date : 20/8/2003
Place : Pune

ANNEXURE - I TO THE DIRECTORS REPORT

PSE Securities Limited, Pune

Particulars to be disclosed u/s 217(1)(e) of the Companies Act, 1956 with respect to conservation of energy, technology absorption, and research and development expenditure.

ANNEXURE - 1

CONSERVATION OF ENERGY

- | | | |
|----|----------------------------------------------------------------------------------------------------------------------------------------|-----|
| a) | Energy Conservation measures taken : | Nil |
| b) | Additional Investments and proposal, if any, being implemented for reduction of consumption of energy : | Nil |
| c) | Impact of measures at (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods : | Nil |

FORM B

Form for disclosure of particulars with respect to technology absorption

PSE Securities Limited, Pune Research and Development (R&D) :

- | | | |
|----|--------------------------------------------------------------|-----|
| 1. | Specific areas in which R&D carried out by the company. | Nil |
| 2. | Benefits derived as a result of the above R & D. | Nil |
| 3. | Future plan of action. | Nil |
| 4. | Expenditure on R & D : | |
| | (a) Capital | Nil |
| | (b) Recurring | Nil |
| | (c) Total | Nil |
| | (d) Total R&D expenditure as a percentage of total turnover. | Nil |

Technology absorption, adaptation and innovation :

- | | | |
|----|---------------------------------------------------------------------------------------------------------------------------------------------------------------|-----|
| 1. | Efforts, in brief, made towards technology Absorption, adaptation and innovation. | Nil |
| 2. | Benefits derived as a result of the above efforts, eg. Product improvement, cost reduction, Product development, import substitution, etc. | Nil |
| 3. | In case of imported technology (imported during the last 5 years, reckoned from the beginning of the financial year) following information may be furnished : | |
| | a) Technology imported. | Nil |
| | b) Year of import. | Nil |
| | c) Has technology been absorbed. | Nil |
| | d) If not fully absorbed, areas where this is not Taken place, reasons therefore and future plans of action. | Nil |

AUDITOR'S REPORT

TO,
THE MEMBERS OF
PSE SECURITIES LIMITED

1. We have audited the attached Balance Sheet of PSE Securities Limited as at 31st March, 2003 and also the Profit and Loss Account for the year ended on that date annexed thereto. 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 conducted our audit in accordance with 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 misstatements. 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 Manufacturing and Other Companies (Auditor's Report) Order, 1988, issued by the Central Government of India in terms of sub-section 4(A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the annexure referred to in paragraph 3 above, we report that -
 - a) 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;
 - b) 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 the books;
 - c) the Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account;
 - d) in our opinion, the Balance Sheet and the Profit and Loss Account dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
 - e) on the basis of written representations received from the directors as on 31st March, 2003 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2003 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
 - f) in our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and subject to note No. B(g) of notes on accounts give a true and fair view in conformity with the accounting principles generally accepted in India :
 - i) in case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2003 and
 - ii) in the case of the Profit and Loss Account, of the profit for the year ended on that date.

FOR A.H.JOSHI & CO.
CHARTERED ACCOUNTANTS

S.A.JOSHI
(PARTNER)

PLACE : PUNE
DATE : 12th August 2003

Annexure referred to in paragraph 3 of the Auditor's Report of even date on the accounts for the year ended 31st March, 2003.

1. The Company is maintaining proper records showing full particulars including quantitative details and situation of fixed assets. The Fixed Assets have been physically verified by the management during the year and no material discrepancies were noticed.
2. The Fixed Assets have not been revalued during the year.
3. The Company has not taken any loans secured or unsecured from any Companies, firms or other parties listed in the register maintained as defined under Sub-Section (1-B) of Section 370, Section 301 and/or from the companies under the same management of the Companies Act, 1956.
4. The Company has not granted any loans, secured or unsecured to Companies, firm or other parties listed in the register maintained under section 301 and/or to the Companies under the same management as defined under Sub-section (1-B) of Section 370 of the Companies Act, 1956.
5. There are no loans or advances in the nature of loans given by the Company.
6. The Company has not accepted any deposits from the public under Section 58A of a Companies Act, 1956.
7. The Company has an adequate internal audit system commensurate with its size and nature of business.
8. As explained to us the provisions of the Provident Fund Act, 1952 and the Employee State Insurance Act, 1948, are not applicable to the Company.
9. There were no undisputed amounts payable in respect of Income Tax, Sales Tax, Wealth Tax, Customs Duty and Excise Duty which have remained outstanding as at 31st March, 2003, for a period of more than 6 months from the date they became payable.
10. No personal expenses have been charged to revenue account other than those payable under contractual obligations or in accordance with normal business practice.
11. The Company is not a sick industrial company within the meaning of Clause (a) of sub-section (1) of section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985.
12. In our opinion considering the nature of business activities and according to the information and explanations given to us, clauses 4(A) (iii), (iv), (vi), (vii), (viii) (ix) (x), (xi), (xii), (xiii), (xiv), and clauses 4(B) (ii), (iii), (iv) of the said order are not applicable to the company.

**FOR A.H. JOSHI & CO.
CHARTERED ACCOUNTANTS**

**S.A. JOSHI
(PARTNER)**

PLACE : PUNE
DATE : 12th August 2003

PSE SECURITIES LIMITED
BALANCE SHEET AS AT 31ST MARCH, 2003

AS AT 31.03.2002 (Amt. in Rs.)	PARTICULARS	SCH. NO.	AS AT 31.03.2003 (Amt. in Rs.)
	<u>SOURCES OF FUNDS :</u>		
	Shareholders Funds		
69,900,000.00	a. Capital	1	70,200,000.00
795,074.24	b. Reserves & Surplus	2	1,607,599.74
Nil	c. Deferred tax liability (Net)		186,632.00
	LOANS AND FUNDS :		
Nil	a. Secured		Nil
Nil	b. Unsecured		Nil
70,695,074.24	Total Funds Employed		71,994,231.74
	<u>APPLICATION OF FUNDS :</u>		
	Fixed Assets	3	
18,223,348.20	(a) Gross Block		20,193,622.20
7,377,749.20	(b) Less Depreciation		11,032,737.20
10,845,599.00	(c) Net Block		9,160,885.00
0.00	Investments	4	501,000.00
	Current Assets, Loans and Advances		--
0.00	(a) Inventories		--
0.00	(b) Sundry Debtors		--
40,063,222.10	(c) Cash and Bank Balances	5	30,060,072.87
28,521,718.00	(d) Loans and Advances	6	41,276,421.84
36,871,123.72	(e) Other Current Assets	7	25,765,970.95
			97,102,465.66

AS AT 31.03.2002 (Amt. in Rs.)	PARTICULARS	SCH. NO.	AS AT 31.03.2003 (Amt. in Rs.)
45,930,134.82	Current Liabilities and Provisions	8	34,992,707.16
<u>59,525,929.00</u>	Net Current Assets		<u>62,109,758.50</u>
323,546.24	Miscellaneous Expenditure (to the extent not written off or adjusted)	9	222,588.24
<u>70,695,074.24</u>	TOTAL Rs.	6	<u>71,994,231.74</u>
	Significant Accounting Policies and Notes on Accounts	12	

FOR AND ON BEHALF OR BOARD OF DIRECTORS

As per Reoprt of even date
FOR A.H. JOSHI & CO.
Chartered Accountants

PARESH MEHTA
(CHAIRMAN)

M. J. RANGARI
(WHOLE TIME DIRECTOR)

S. A. JOSHI
(PARTNER)

PLACE : PUNE
DATE : 12th August 2003

PSE SECURITIES LIMITED
PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2003

FOR THE YEAR ENDED 31.03.2002 (Amt. in Rs.)	PARTICULARS	SCH. NO.	FOR THE YEAR ENDED 31.03.2003 (Amt. in Rs.)
	<u>INCOME</u>		
2,584,599.01	1. Turnover Fees		6,958,630.73
3,388,338.72	2. Interest	10	2,546,524.44
3,716.00	3. Miscellaneous Income		2,177.38
1,572,000.00	4. Networking Charges		197,000.00
7,548,653.73	TOTAL Rs.		9,704,332.55
	<u>EXPENDITURE</u>		
2,471,724.87	1. Administrative and Other Expenses	11	4,106,520.05
5,110,365.00	2. Depreciation	3	3,654,988.00
80,886.56	3. Preliminary Expenses Written off	9	100,958.00
7,662,976.43	TOTAL Rs.		7,862,466.05
(114,322.70)	<u>PROFIT BEFORE TAXATION AND EXCEPTIONAL ITEMS</u>		1,841,866.50
0.00	Taxation for the Year		
	-- Current Tax	400,000.00	
	-- Deferred Tax	261,130.00	
			(661,130.00)
	<u>PROFIT AFTER TAXATION AND BEFORE EXCEPTIONAL ITEMS</u>		1,180,736.50
0.00	PRIOR PERIOD ADJUSTMENT		(617,709.00)
(114,322.70)	<u>NET PROFIT</u>		563,027.50
440,603.06	BALANCE B/F FROM PREVIOUS YEAR		(480,427.76)
(554,925.76)	BALANCE CARRIED TO BALANCE SHEET		82,599.74

FOR AND ON BEHALF OF BOARD OF DIRECTORS

As per Reoprt of even date
FOR A.H. JOSHI & CO.
Chartered Accountants

PARESH MEHTA
(CHAIRMAN)

M. J. RANGARI
(WHOLE TIME DIRECTOR)

S. A. JOSHI
(PARTNER)

PLACE : PUNE
DATE : 12th August 2003

SCHEDULE : 1
SHARE CAPITAL

PARTICULARS	AS AT 31.03.2002 (Amt. in Rs.)	AS AT 31.03.2003 (Amt. in Rs.)
<u>Authorised Capital</u>		
390 Equity Shares of Rs. 2,00,000 each	78,000,000.00	78,000,000.00
<u>Issued, Subscribed and Paid Up</u>		
	70,000,000.00	70,200,000.00
Add : Share Application money Pending Allotment	--	0.00
Less : Calls in Arrears	100,000.00	0.00
TOTAL Rs.	69,900,000.00	70,200,000.00

SCHEDULE : 2
RESERVES AND SURPLUS

PARTICULARS	AS AT 31.03.2002 (Amt. in Rs.)	AS AT 31.03.2003 (Amt. in Rs.)
a) Share Premium Account	300,000.00	300,000.00
Additions during the Year	0.00	100,000.00
Balance at end of the Year	300,000.00	400,000.00
b) Infrastructure Development Reserve :	750,000.00	1,050,000.00
Additions during the Year	300,000.00	75,000.00
	1,050,000.00	1,125,000.00
c) Profit and Loss account	(554,925.76)	82,599.74
Balance at end of the year	(554,925.76)	82,599.74
Total Rs.	795,074.24	1,607,599.74

**SCHEDULE : 3
FIXED ASSETS**

SR	PARTICULARS	COST AS ON 01.04.2002	GROSS BLOCK		COST AS ON 31.03.2003	RATE	DEPRECIATION FOR THE YEAR		UPTO 31.03.2003	NET BLOCK	
			ADDITIONS	DEDUCTION			UPTO 31.03.2002			31.03.2003	31.03.2002
1.	BSE Membership Right	5,500,000.00	0.00	0.00	5,500,000.00	--	0.00	0	0.00	5,500,000.00	5,500,000.00
2.	Furniture & Fixtures	7,678.00	32,896.00	0.00	40,574.00	18.10%	2,018.00	3,164.00	5,182.00	35,392.00	5,660.00
3.	Computer Equipment	12,692,170.20	1,882,506.00	0.00	14,574,676.20	6.0%	7,370,967.20	3,630,346.00	11,001,313.20	3,573,363.00	5,321,203.00
4.	Electric Installation	23,500.00	0.00	0.00	23,500.00	25%	4,764.00	4,684.00	9,448.00	14,052.00	18,736.00
5.	Office Equipment	0.00	54,872.00	0.00	54,872.00	18.10%	0.00	16,794.00	16,794.00	38,078.00	0.00
	Total Rs.	18,223,348.20	1,970,274.00	0.00	20,193,622.20		7,377,749.20	3,654,988.00	11,032,737.20	9,160,885.00	10,845,599.00

SCHEDULE : 4
INVESTMENTS

PARTICULARS	AS AT 31.03.2002 (Amt. in Rs.)	AS AT 31.03.2003 (Amt. in Rs.)
1. Shares in JSB (10 Equity Shares of Rs. 100/- each)	0.00	1,000.00
2. Templetion India Treasury (Nav on 31.03.03 Rs. 21.3515 (Units 25432.35)	0.00	500,000.00
TOTAL RS.	0.00	501,000.00

SCHEDULE : 5
CASH & BANK BALANCES

PARTICULARS	AS AT 31.03.2002 (Amt. in Rs.)	AS AT 31.03.2003 (Amt. in Rs.)
1. Cash in Hand	Nil	6,596.70
2. With Scheduled Banks :		
On Current Account	13,105,327.10	3,970,993.17
On Deposit Account	15,500,000.00	26,082.483.00
3. With Other Banks	11,457,895.00	----
Total Rs.	40,063,222.10	30,060,072.87

SCHEDULE : 6
LOANS AND ADVANCES

PARTICULARS	AS AT 31.03.2002 (Amt. in Rs.)	AS AT 31.03.2003 (Amt. in Rs.)
1. Interest free Security Deposit	250,000.00	250,000.00
2. NSE Interest free Security Deposit for VSAT	325,000.00	325,000.00
3. NSE Membership Deposit	25,000,000.00	25,000,000.00
4. BSE Security Deposit	1,000,000.00	1,000,000.00
5. Telephone Deposit	6,600.00	6,934.00
6. MSEB Deposit	24,000.00	24,000.00
7. NSDL Security Deposit	1,000,000.00	1,000,000.00
8. NSE Interest free Security deposit for F & O	0.00	12,100,000.00
9. Retail Debt Market Deposit	0.00	500,000.00
10. Income Tax Deducted at Source		
Assesment Year 2001-02	520,777.00	0.00
Assessment Year 2002-03	395,341.00	395,338.00
Assessment Year 2003-04	0.00	675,149.84
Total Rs.	27,605,600.00	41,276,421.84

SCHEDULE : 7
OTHER CURRENT ASSETS

PARTICULARS	AS AT 31.03.2002 (Amt. in Rs.)	AS AT 31.03.2003 (Amt. in Rs.)
1. Deposits with Sub. brokers	35,340,000.00	24,010,000.00
2. Interest Accrued on FDR	1,531,123.72	879,879.00
3. NSC Short Delivery A/c.	0.00	584,906.95
4. Prepaid BG Commission	0.00	208,478.00
5. Prepaid Repairs and Maintenance	0.00	54,400.00
6. Prepaid Insurance	0.00	17,932.00
7. Inter Settlement Charges receivable	0.00	5,375.00
8. Prepaid NSDL Speed subscription	0.00	5,000.00
Total Rs.	36,871,123.72	25,765,970.95

SCHEDULE : 8
CURRENT LIABILITIES AND PROVISIONS

PARTICULARS	AS AT 31.03.2002 (Amt. in Rs.)	AS AT 31.03.2003 (Amt. in Rs.)
Current Liabilities :		
1. Creditors for Computer Software	0.00	129,376.00
2. Deposit from Sub-broker	44,498,000.00	32,065,000.00
3. Pune Stock Exchange Ltd.	1,000,000.00	1,337,000.00
4. Client Credit Balances	0.00	661,454.50
5. Audit fees payable	8,000.00	21,200.00
6. Service tax payable	21,777.00	11,286.00
7. Transaction charges payable	349,534.82	148,803.00
8. Telephone expenses Payable	44,823.00	11,005.00
9. Annual subscription payable	8,000.00	8,000.00
10. Stamp duty payable	0.00	110,992.00
11. Short Delivery Charges to NSE	0.00	11,078.09
12. Electricity Charges payable	0.00	9,163.32
13. NSDL Bank transaction payable	0.00	9,065.00
14. CDSL Charges payable	0.00	15,750.00
15. VSAT Charges payable	0.00	33,534.25
16. SEBI Fees payable	0.00	10,000.00
Provisions :		
1. Provision for tax (2002-03)	0.00	400,000.00
Total Rs.	45,930,134.82	34,592,707.16

SCHEDULE : 9
PRELIMINARY EXPENSES

PARTICULARS	AS AT 31.03.2002 (Amt. in Rs.)	AS AT 31.03.2003 (Amt. in Rs.)
Balance at beginning of the year	401,432.80	323,546.24
Add : Additions during the year	3,000.00	0.00
Less : Written off during the year	80,886.56	100,958.00
Balance at end of the year	323,546.24	222,588.24

SCHEDULE : 10
INTEREST

PARTICULARS	AS AT 31.03.2002 (Amt. in Rs.)	AS AT 31.03.2003 (Amt. in Rs.)
1. Interest on Fixed Deposit (Gross) (TDS Rs. 4,70,506.84)	3,388,338.72	1,980,962.39
2. Interest on Income tax refund	0.00	64,160.00
3. Income from Mutual fund	0.00	139,808.45
4. Interest on flexy deposit (Gross) (TDS Rs. 65,150/-)	0.00	361,593.60
Total Rs.	3,388,338.72	2,546,524.44

SCHEDULE : 11
ADMINISTRATIVE & OTHER EXPENSES

PARTICULARS	AS AT 31.03.2002 (Amt. in Rs.)	AS AT 31.03.2003 (Amt. in Rs.)
1. Salaries	597,875.85	1,068,912.97
2. Service tax	66,487.85	150,351.00
3. Interest for delayed payment of Service tax	0.00	397.00
4. Rent	0.00	66,000.00
5. Corporation Tax	0.00	13,772.00
6. Networking Infrastructure	0.00	500,000.00
7. Printing and Stationery	162,210.00	265,318.00
8. Telephone & Fax Expenses	512,299.00	108,534.96
9. Electricity Charges	548,230.00	185,135.32
10. Repairs and Maintenance	25,475.00	314,129.00
11. House Keeping & Security Charges	0.00	52,000.00
12. Meeting Expenses	0.00	41,381.00
13. Registration & Licence Fees	151,050.00	11,800.00
14. Annual Subscription	8,000.00	106,000.00
15. SEBI fees	0.00	15,999.79
16. Contribution to TGF (BSE)	10,000.00	15,000.00
17. Entry Fee	25,000.00	0.00
18. Fees and fine	0.00	8,000.00
19. Membership (ANMI)	0.00	6,500.00
20. Legal Fees	0.00	5,230.00
21. Professional Fees	24,470.00	84,801.00
22. Audit Fees	8,000.00	8,940.00
23. Advertisement	3,173.63	23,978.50
24. Insurance	125,451.00	120,769.00
25. Bank Charges, CDSL and NSDL Charges	175,847.00	344,882.80
26. Locker rent	0.00	750.00
27. Travelling Expenses	6,640.00	24,983.50
28. Conveyance	150.00	551.00
29. Profession Tax	1,700.00	1,700.00
30. Postage and Courier	0.00	47,647.65
31. Leased line Charges	0.00	270,431.00
32. VSAT Charges	0.00	136,000.00
33. Function and Festival	0.00	88,112.00
34. Training Expenses	0.00	15,516.00
35. Miscellaneous Expenses	19,665.54	2,996.56
TOTAL RS.	2,471,724.87	4,106,520.05

SCHEDULE : 12
SIGNIFICANT ACCOUNTING POLICIES AND
NOTES TO ACCOUNTS

A. SIGNIFICANT ACCOUNTING POLICIES

1. *Accounting Convention / Basis of Accounting*

The financial statements have been prepared in accordance with historical cost convention on the going concern concept in accordance with applicable mandatory accounting standards and relevant presentational requirement of the companies Act, 1956.

2. *Prior period items*

Income and Expenditure pertaining to prior period are disclosed separately.

3. *Fixed Assets*

Fixed assets are stated at cost less accumulated depreciation. Cost comprises of the purchase price and any attributable cost of bringing the asset to working condition for its intended use.

4. *Method of Depreciation*

Depreciation on fixed assets except Mumbai Stock Exchange Right has been provided on written down values as per the rates mentioned in Income Tax Rules, except the rate of depreciation for furniture and fixture & office equipment charged at 18.10% in accordance with Schedule XIV to the Companies Act, 1956.

5. *Revenue Recognition*

Turnover fees are recognised on completed settlement basis and bank interest on accrual basis.

6. *Retirement Benefits*

No provision has been made in the accounts for PF, FPF, Gratuity and retirement benefits for the employees as the company is not liable for the same.

7. *Miscellaneous Expenditure*

Preliminary Expenses are written off over a period of five years.

8. *Taxes on Income*

Provision for tax is made for both current and deferred tax. Current tax is determined as the amount of tax payable in respect of taxable income for the year.

Deferred tax is recognised, subject to the consideration of prudence, on timing differences, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.

B) NOTES ON ACCOUNTS

a) *Contingent Liabilities*

Bank guarantee with NSE of Rs. 1,65,00,000/- as on 31.3.2003

b) *Payment to Auditors*

Statutory Audit Fees

31.3.2003
8,940.00

31.3.2002
8,000.00

c) Deferred tax :	Rs.
Deferred Tax Asset as at 31.3.2002	(74,498.00)
Deferred Tax Liability for the year ended 31.3.2003	261,130.00
	<hr/>
Deferred Tax Liability as at 31.3.2003	<u>186,632.00</u>

The above deferred tax is the effect of timing difference on account of difference in depreciation as per schedule XIV of the Companies Act, 1956 and Income Tax Rules.

- d) The opening balance of Profit and Loss Account is shown net of deferred tax asset upto 31.3.2002.
- e) During the course of audit, certain discrepancies/omissions were found pertaining to earlier years mainly arising out of simultaneous operational problems of two Computer Softwares viz. Jog Softwares and Datamen Softwares. The management has taken corrective steps in this regard and effect is disclosed by way of prior period adjustment in the profit & Loss A/c.
- f) As per the Provisions of Sec. 383A of The Companies Act, 1956 appointment of Wholetime Company Secretary is mandatory.
- g) Sub Brokers Margin Accounts are subject to reconciliation.
- h) The Company has utilised the manpower and infrastructure facilities of Pune Stock Exchange for which Rs. 13.50 lacs has been charged by Pune Stock Exchange to PSE Securities Ltd., the break up of which is as follows -
- Security and House - Keeping (Rs. 0.52 lacs), Rent (Rs. 0.66 lacs), Networking and Infrastructure Charges (Rs. 5.00 lacs), Corporation Tax (Rs. 0.14 lacs), Repairs and Maintenance (Rs. 0.12 lacs), Telephone Charges (Rs. 0.39 lacs), Electricity Charges (Rs. 0.96 lacs), Salary (Rs. 5.71 lacs)
- i) Previous year's figures have been regrouped / rearranged wherever necessary.

FOR AND ON BEHALF OF BOARD OF DIRECTORS

As per Reoprt of even date
FOR A.H. JOSHI & CO.
Chartered Accountants

PARESH MEHTA
(CHAIRMAN)

M. J. RANGARI
(WHOLE TIME DIRECTOR)

S. A. JOSHI
(PARTNER)

PLACE : PUNE
DATE : 12th AUGUST 2003

PSE SECURITIES LIMITED.

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE AS REQUIRED UNDER PART IV OF SCHEDULE VI OF THE COMPANIES ACT, 1956.

I. REGISTRATION DETAILS :

Registration No. : 14228 State Code : 11
Balance Sheet Date : 31.03.2003

II. CAPITAL RAISED DURING THE YEAR (Amt. in Thousands) :

Public Issue : NIL Rights Issue : NIL
Bonus Issue : NIL Private Placement : 200

III. POSITION OF MOBILISATION & DEPLOYMENT OF FUNDS (Amt.in Rs. Thousands)

Total Liabilities : 106987 Total Assets : 106987

SOURCE OF FUNDS :

Paid up Capital : 70200 Reserves & Surplus : 1608
Secured Loans : NIL Unsecured Loans : NIL

APPLICATION OF FUNDS :

Net Fixed Assets : 9161 Investments : 501
Net Current Assets : 61923 Miscellaneous Expenditure : 223
Accumulated Losses : NIL

IV. PERFORMANCE OF COMPANY (Amt. in Rs. Thousands) :

Turnover : 9704 Total Expenditure : 7862

- Profit/Loss Before Tax : 1842 Profit/Loss After Tax : 1180

Earning per Share (in Rs.) : N.A. Dividend @ % : 00

FOR AND ON BEHALF OF BOARD OF DIRECTORS

As per Report of even date
FOR A. H. JOSHI & CO.
CHARTERED ACCOUNTANTS

PARESH MEHTA
(CHAIRMAN)

M. J. RANGARI
(WHOLE TIME DIRECTOR)

S. A. JOSHI
(PARTNER)

PLACE : PUNE
DATE : 12th AUGUST 2003

PSE SECURITIES LIMITED.

Registered Office : Shivleela Chambers, 725, Sadashiv Peth, Kumthekar Marg, Pune - 30.

ATTENDANCE SLIP

Please complete this slip and hand it over at the entrance of the Meeting Hall Registered Folio No. _____ Shares held _____

Name (in Block Letter)

I hereby record my presence at the 4th Annual General Meeting of the Company held at Registered office of PSE Securities Ltd., 1st Floor, Shivleela Chambers, 752, Sadashiv Peth, Kumthekar Marg, Pune - 30. on 19th September 2003, at 4.00 p.m.

Note : Please carry with you this Attendance Slip with you this Attendance Slip and hand over the same duly signed at the space provided, at the entrance of the Meeting Hall.

PSE Securities Limited.

Registered Office : Shivleela Chambers, 725, Sadashiv Peth, Kumthekar Marg, Pune - 30.

PROXY FORM

Registered Folio No. _____ Shares held _____

I/We, _____ of being a member / members of the above named company hereby appoint _____ of _____ or failing him _____ of _____ as my / our proxy to vote for me / us on

my / our behalf at the 4th ANNUAL GENERAL MEETING of the Company to be held at Registered office of PSE Securities Ltd., 1st Floor, Shivleela Chambers, 752, Sadashiv Peth, Kumthekar Marg, Pune - 30. on 19th September 2003, at 4.00 p.m. and at any adjournment thereof.

Signed this _____ day of _____ 2003

NOTE : the proxy to be effective should be deposited at the Registered Office of the Company not less than 48 hours before the commencement of meeting.