



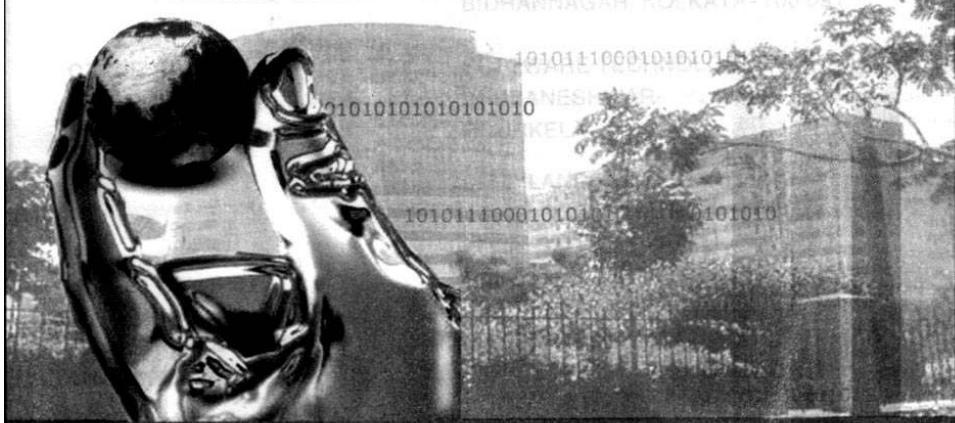
LNSEL
LEE & NEE SOFTWARES (EXPORTS) LTD.



KPO



Pioneering Indian IT Towards World's Excellence.....



EIGHTEEN ANNUAL REPORT & ACCOUNTS 2005-2006

<http://www.lnssel.com>



Lee & Nee Softwares (Exports) Ltd.

BOARD OF DIRECTOR : RAJESH AGARWAL – Chairman, Independent Director
AJAY KUMAR AGARWAL – Executive Director
S. M. GUPTA – Promoter Director
PARESH AGARWAL – Independent Director

AUDITORS : PATANJALI & CO.
CHARTERED ACCOUNTANTS

BANKERS : ICICI BANK LTD.
UNITED COMMERCIAL BANK
ALLAHABAD BANK
UNION BANK OF INDIA
INDIAN OVERSEAS BANK
INDUSIND BANK LTD.
ABN AMRO BANK N.V.
ORIENTAL BANK OF COMMERCE

REGISTERED OFFICE : 14B, CAMAC STREET, 2ND FLOOR, KOLKATA-700017

SOFTWARE DEVELOPMENT CENTRE & DEVELOPMENT CENTRE : SOFTWARE TECHNOLOGY PARK
SALT LAKE ELECTRONICS COMPLEX
BLOCK 'GP', SECTOR-V
SDF BUILDING, 4TH FLOOR
BIDHANNAGAR, KOLKATA-700 091

OTHER SOFTWARE DEVELOPMENT CENTRES : SOFTWARE TECHNOLOGY PARK
BHUBANESHWAR
ROURKELA
BIZZYLAND BLDG., R. NO. 403
4TH FLOOR, KUMTHEKAR ROAD
776/A, SADASHIV PETH
PUNE - 411 030

REGISTRAR & SHARE TRANSFER AGENTS : MAHESHWARI DATAMATICS PVT. LTD.
6, MANGOE LANE, 2ND FLOOR
KOLKATA-700 001



Lee & Nee Softwares (Exports) Ltd.

NOTICE

NOTICE is hereby given that the **18th Annual General Meeting of Lee & Nee Softwares (Exports) Limited** will be held at the Office of the Company at Saltlake Electronics Complex, Block GP, Sector-V, SDF Building, 4th Floor, Bidhannagar, Kolkata-700 091 on Saturday the 30th day of September, 2006 at 11 A.M. for the transaction of the following businesses.

ORDINARY BUSINESS :

1. To consider and adopt the Accounts of the Company for the Financial year ended 31st March, 2006 and the Balance Sheet as on that date with the reports of the Directors and Auditors thereon.
2. To appoint Director in place of Mr. Ajay Kr. Agarwal who retire by rotation and being eligible offer himself for re-election.
3. To appoint Auditors and fix their remuneration.

By order of the Board
For LEE & NEE SOFTWARES (EXPORTS) LTD.

Sd/-
(Rajesh Agarwal)
Chairman

Place : Kolkata

Date : The 30th day of August, 2006

NOTES :

1. A Member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a Member of the Company. Proxies in order to be effective must be received by the Company not less than 48 hours before the commencement of the Meeting.
2. Members are requested to bring their copies of the Report and Accounts at the Meeting.
3. Members are requested to notify any change in their address immediately to the Registrar and Share Transfer Agents at the below mentioned address.
4. Members who have multiple accounts in identical names or joint accounts in same order are requested to intimate to the Company, the ledger folios of such accounts to enable the Company to consolidate all such share holding into one account.
5. Shareholders are requested to send all transfer documents to the Registrar & Share Transfer Agents of the Company by Registered Post to ensure safe delivery of documents.
6. The Register of Members and Share Transfer Book of the Company will remain closed from 23.09.2006 to 30.09.2006 (both days inclusive).
7. a) Shareholders desiring any information as regards to Accounts are requested to write to the Company at an early date so as to enable the management to keep the information ready.
b) Quote registered folio number or client ID in all correspondence.
8. Consequent upon the introduction of Section 109A of the Companies Act, 1956 Shareholders are entitled to make nomination in respect of shares held by them in physical form. Shareholders desirous of making nominations are requested to send their requests in Form 2B to the Registrar & Share Transfer Agents :
M/s. Maheshwari Datamatics Pvt. Ltd. 6, Mangoe Lane, 2nd Floor, Kolkata - 700 001
9. As per SEBI's directive, w.e.f. June 26, 2000, all investors can offer delivery of Company's shares in dematerialized form only. 24502423 number of Company's shares (91.79%) have been dematerialized as on 31.03.2006.
Members are requested to take steps to dematerialize their shares held in physical form to have easy liquidity.
The Company's ISIN No. is INE791B01014.
10. Send all share transfer lodgements (physical mode) correspondence to the Registrar and Share Transfer Agent of the Company.
11. Members are informed in case of joint holders attending the meeting, only such joint holder who is higher in the order of the names will be entitled to vote.
12. Corporate members are requested to forward a certified copy of the Board Resolution authorising their representative to attend and vote at the Meeting.



Lee & Nee Softwares (Exports) Ltd.

DIRECTORS' REPORT

To,
The Shareholders

Your Directors have pleasure in presenting the **18th Annual Report** together with the Audited Statement of Accounts for the year ended 31st March, 2006.

Working and Financial Results

Total Income during the year was Rs.1,00,33,653.24/- as compared to Rs. 1,18,25,818/- in the previous year but the loss is reduced during the year amounting to Rs.40,20,949.33/- is against of Rs. 63,24,569.69/- in previous year.

The net impact of the above, has resulted in loss during the year compared to the earlier year due to Call Centre Project which is yet to be stabled and suffering from several contingencies and industry hazards and lack of full utilisation of its capacity.

The Financial Highlights are given below :

	Figures for the Current year Rs.	Figures for the Previous year Rs.
Balance Brought Forward from the Last Year	(2,44,62,750.99)	(1,79,30,720.07)
Profit / (Loss) Before Depreciation	(40,20,949.33)	(63,24,569.69)
	(2,84,83,700.32)	(2,42,55,289.76)
Add : Depreciation	(6,16,142.00)	(2,07,461.23)
Loss	(2,90,99,842.32)	Rs. (2,44,62,750.99)

Dividend

No dividend is recommended in view of the accumulated loss during the year apart from meeting the contingent liabilities.

Future Prospects

BPO (Business Process Outsourcing) – The Company is targetting ITES based services, both voice & non-voice based projects from several organisations in USA, UK & Australia. Endeavours are being made to move towards better segment of ITES such as KPO (Knowledge Process Outsourcing) & EPO (Education Process Outsourcing).

The Call Centre operation of Company is going on and is in the process of getting stabled but will take time to gain economies of scale.

Expansion

The Company has commenced operation of a Call Centre at 'BBSR' and another BPO unit at 'Pune' keeping an eye to develop and tap the B.P.O. segment in E-accounting and animation project, which will optimise the project cost and reduce the losses. The Company envisages to move to SEZ (Special Economic Zone).

Out Look

The Company apart from software services, has established its reputation in the market as an Information Technology Enabled Service provider (ITES) specially in Medical Transcription as well as International Call Centre.

The proposed expansion would further consolidate the position of the Company. This would have a better margin of profitability and would result in higher growth of the Company.

Your Directors are glad to report that the adverse factors stand substantially abated so far in the current year. Accordingly your directors are confident of achieving better results in the year 2006-07.

Fixed Deposits

The Company has not accepted any deposit from the Public.

Directors

Your Director Mr. Ajay Kr. Agarwal retires at the ensuing Annual General Meeting and being eligible offer himself for re-appointment.

Directors' Responsibility Statement

Your Directors confirm :

- that in the preparation of the annual accounts, the applicable accounting standards have been followed.
- that the Directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the loss of the Company for that year.



Lee & Nee Softwares (Exports) Ltd.

- (iii) that the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safe guarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- (iv) that the Directors have prepared the annual accounts on a going concern basis.
- (v) that none of the Directors is disqualified as on 31.03.2006 from being appointed as a Director of the Company under section 274(1)(g) of the Act.

Auditors

Your Auditors Patanjali & Company, Chartered Accountants also retire at the Annual General Meeting and are eligible for re-appointment.

Auditors' Observations

As regards observations made by the Auditors, the relevant notes in Schedule 'C' are self explanatory.

Cash Flow

In accordance with the requirement of Clause 32 of the Listing Agreement with the Stock Exchanges, a cash flow statement duly verified by your Auditors together with the certificate is annexed hereto.

Corporate Governance

Your Company has complied with the requirements of Corporate Governance pursuant to clause 49 of Listing Agreement with the Stock Exchanges and a report to that effect is enclosed herewith.

Dematerialization of Equity Shares

Your Company has entered into agreement with National Securities Depository Ltd. (NSDL) and Central Depository Services (India) Ltd. (CDSL) for dealing in Equity Shares of the Company in dematerialized form. Your Company has been allotted (ISIN No. INE 791B01014). The shareholders may send their share certificates through their depository participants for having the shares in electronic form.

Other Information

None of the employees were in receipt of remuneration exceeding limits prescribed u/s. 217(2A) of the Companies Act, 1956 and the Rules made thereunder.

As required u/s.217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, Your Directors Report as follows :-

- A. Conservation of Energy : Not Applicable
- B. Technology Absorption : Your Company is developing its capabilities in I. T. Enabled Services and Medical Transcription as well as a Call Center.
An expansion in the operation is ahead through strategic alliances for Business Process Outsourcing Projects.
- C. (a) Foreign Exchange Earning : Rs. 59,92,528.00/- (including sale of other 100% EOU units)
(b) Foreign Exchange Outgoing : Rs. 9,90,823.46/- on account of hosting and domain registration, business procurement fees and ASP charges.

Acknowledgments

Your Directors place on record their appreciation for the help and co-operation received by them from ICICI Bank Ltd., UCO Bank, Allahabad Bank, Indian Overseas Bank, Union Bank of India, Indusind Bank, Orienta! Bank of Commerce, State Government of West Bengal and Orissa and Department of Electronics & Department of Telecommunication under Ministry of Information & Technology Government of India, specially Software Technology Parks of India.

Your Directors also place on record their appreciation for the dedicated services rendered by the employees of your Company at all levels.

On behalf of the Board of Directors
For LEE & NEE SOFTWARES (EXPORTS) LTD.

Place : Kolkata

Dated : The 30th day of August, 2006

Sd/-
(RAJESH AGARWAL)
Chairman



ANNEXED TO AND FORMING PART OF THE DIRECTORS' REPORT

REPORT ON CORPORATE GOVERNANCE

INFORMATION UNDER CLAUSE 49 OF THE LISTING AGREEMENT

- a) De-listing :
No application for delisting the Company's securities has been made to any of the Stock Exchanges.
- b) Suspension in Trading :
Trading in the Company's Securities was not suspended.
- c) Listing Fees :
The listing fees payable as on 31.03.2006 to the various Stock Exchanges aggregating to Rs.95,625/- has been paid.

CORPORATE GOVERNANCE

(Pursuant to Clause 51 of the Listing Agreement entered into with the Stock Exchanges)

1. The Company is committed to the best practice in the area of Corporate Governance. The Company believes that proper corporate governance facilitates effective management and control of business. This in turn, enables the Company to deliver the best results to all its share holders. The objective can be summarized as :
- To enhance shareholders value.
 - To protect interest of shareholders.
 - To ensure transparency and integrity in communication and to make available full, accurate and clear information to all concerned.
 - To ensure accountability for performance and to achieve excellence at all levels.

The Company is committed to :

- ensure that the Company's Board of Directors meets regularly, provides effective leadership, exercises control over management and monitors executive performance.
- establish a framework of strategic control and continuously review its efficacy.
- establish clearly documented and transparent management processes for policy development, implementation and review, decision-making, monitoring, control and reporting.
- provide free access to the Board, to all relevant information, advice, resources as are necessary to enable it to carry out its role effectively.
- ensure that a senior executive is made responsible to the Board to ensure compliance with all applicable statutes, regulations and other procedures, policies as laid down by Board and report deviation, if any, to the Board.

2. BOARD OF DIRECTORS :

(A) Composition of Board as on 31.03.2006

The Board of Directors comprises of four Directors. The Composition is as under :

Name of the Director	Position	No. of Meeting held	No. of Meeting attended	Whether attended last AGM	No. of other directorship
Mr. Ajay Agarwal	Executive Director	5	5	Yes	Nil
Mr. Paresh Agarwal	Independent Director	5	3	Yes	Nil
Mr. Rajesh Agarwal	Independent Director	5	5	Yes	4
Mr. Sagarmal Gupta	Promoter Director	5	5	Yes	2

Five Meetings of the Board of Directors were held during the year ended on 31st March, 2006. These were held on : 30th April, 2005, 29th July, 2005, 28th August, 2005, 29th October, 2005 and 31st January, 2006.

(B) Non-executive Directors' compensation & disclosures

Name of the Director	Sitting fees	Consultancy Fees	Total
1. Mr. Ajay Agarwal	3,000/-	—	3,000/-
2. Mr. Rajesh Agarwal	5,000/-	—	5,000/-

1. Sitting Fees constitute fees paid to Non-executive directors for attending Board and Committee Meetings.



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2. The Company did not have any pecuniary relationship or transaction with the Non-Executive directors during the year 2005-2006.

(C) Other provisions as to Board and Committees –

The Board held five meetings during the year 2005-2006, on 30th April 2005, 29th July 2005, 28th August 2005, 29th October 2005 and 31st January 2006.

The agenda paper was circulated well in advance of each meeting and all the relevant information as required by clause 49 of the Listing Agreement was made available to the Board of Directors.

No Director holds membership of more than 10 Committees of Boards nor is any Director, Chairman of more than 5 Committees of Boards.

(D) Code of Conduct –

The Board has formulated a code of conduct for the Board members and senior management of the Company. The same has also been posted on the website of the Company www.linsel.com

All Board members and senior management personnel have affirmed their compliance with the code. The Annual Report contains a declaration to this effect signed by the Director of the Company.

3. AUDIT COMMITTEE :

(A) Qualified & Independent Audit Committee –

The Company has an Audit Committee at the Board level with the powers and the role that are in accordance with Clause 49 II(C) and (D) of the Listing Agreement. The Committee acts as a link between the management, the statutory and internal auditors and the Board of Directors and oversees the financial reporting process. The Audit Committee comprises of two directors as under :

1. Mr. Paresh Agarwal – F. C. A. Independent, Non-Executive – Chairman
2. Mr. Rajesh Agarwal – F. C. A. Independent, Non-Executive – Member.

(B) Meeting of Audit Committee –

The Committee has met 5 times in the financial year ended 31st March 2006. There were held on 30th April 2005, 29th July 2005, 28th August 2005 and 11th November 2005 and 31st January 2006. The minutes of the meeting of the Audit Committee is reviewed and noted by the Board. The Composition of the Committee and the attendance at the meetings of the committee is given below.

Name of the Member	Category	Position	No. of Meeting held	No. of Meeting attended
Mr. Paresh Agarwal	Independent	Chairman	5	5
Mr. Rajesh Agarwal	Independent	Member	5	5

(C) Powers of Audit Committee 49 (IIC) –

The Power of the Audit Committee of the Company include the following –

1. To investigate any activity within its terms of reference.
2. To seek information from any employee.
3. To obtain outside legal or other professional advice.
4. To secure attendance of outsiders with relevant expertise, if it considers necessary.

(D) Role of Audit Committee –

The functions of the Audit Committee of the Company include the following –

- Oversight of the company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- Recommending to the Board, the appointment, re-appointment and if required, the replacement or removal of the statutory auditor and the fixation of audit fees.
- Approval of payment to statutory auditors for any other services rendered by the statutory auditors.
- Reviewing with the management, the annual financial statements before submission to the Board for approval, with particular reference to :



- Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (2AA) of section 217 of the Companies act, 1956.
- Changes, if any, in accounting policies and practices and reasons of the same.
- Major accounting entries involving estimates based on the exercise of judgement by the management.
- Significant adjustments made in the financial statements arising out of audit findings.
- Compliance with listing and other legal requirements relating to financial statements.
- Disclosure of any related party transactions.
- Qualifications in the draft audit report.
- Reviewing with the management, the quarterly, half yearly and yearly financial statement before submission to the Board for approval.
- Reviewing with the management, performance of the statutory and internal auditors and adequacy of the internal control systems.
- Reviewing the adequacy of internal audit function, if any including the structure of the internal audit department staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
- Discussion with the internal auditors any significant findings and follow-up thereon.
- Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
- Discussion with the statutory auditors before the audit commences, about the nature and scope of the audit as well as post-audit discussion to ascertain any areas of concern.

(E) Review of information by Audit Committee –

The Company has systems and procedures in place to ensure that the Audit Committee mandatorily reviews:

- Management discussion and analysis of financial condition and results of operations.
- Statement of significant related party transactions (as defined by the Audit Committee), submitted by management.
- Management letters/letters of internal control weaknesses issued by the statutory auditors.
- Internal audit reports relating to internal control weaknesses.
- The appointment, removal and terms of remuneration of the Chief internal auditor.

4. SUBSIDIARY COMPANIES :

The company did not have any subsidiary company.

5. DISCLOSURES :

There are no materially significant related party transactions i.e. transactions material in nature, with its promoters, the Directors or the Management or their relatives etc. having potential conflict with the interests of the Company.

(A) Basis of related party transactions –

The details of all transactions with related parties are placed before the Board Meeting on quarterly basis. As per the revised clause 49 from the year 2006, these details shall be placed before the Audit Committee on a quarterly basis.

(B) Board Disclosures –

Disclosure of Accounting Treatment – In the preparation of financial statements, the Company has followed the Accounting Standards issued by the the Institute of Chartered Accountants of India to the extent applicable.

Disclosures on Risk Management – The Company has laid down procedures to inform Board members about the risk assessment and minimisation procedures. A Risk Management Committee consisting of Director and senior executives of the Company has been formed to periodically review these procedures to ensure that executive management controls risk through means of a properly defined framework. The company has framed the risk assessment and minimisation procedure which will be periodically reviewed by the Board.



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(C) Proceeds from public issues, rights issues, preferential issues etc. :

The Company did not raise any money through any issue during the year 2005-2006.

The Company has complied with all rules and regulations prescribed by the Stock Exchanges, SEBI or any Statutory Authority relating to the Capital Markets during the last three years. No penalties strictures have been imposed by them on the Company.

(D) Remunerations of Directors :

The Company has a remuneration committee comprising of two Directors. The composition of the committee is as follows –

Name of the Member	Position	No. of Meeting held	No. of Meeting attended
Mr. Ajay Kumar Agarwal	Executive Director	5	5
Mr. S. M. Gupta	Promoter Director	5	5

(E) Management Discussion and Analysis Report :

Industry Structure and Developments : The BPO industry today boasts of a turnover of \$ 5.2 billion and employs 410,000 staff projected to grow to at \$ 7 billion industry employing 500,000 people.

Thanks to Indian BPO outfits, many fortune 1000 companies have saved substantially on costs, through process outsourcing. Delta Airlines saved \$ 26 million in 2003 while GE saved \$ 1 billion.

The Nasscom – MC Kinsey 2005 report estimates that by 2010 the combined IT and BPO industry could face a shortages of 500,000 workforce. BPO will account for 350,000.

BPO Business – India is the market leader for voice-based work that provides 60% of its revenues. To stay ahead, it has to graduate to high – end transaction based services from the mostly call-center type's activities. In horizontal services, customer support and services clearly rank as the industry's strongest offering – earning nearly 60% of the revenues. On the vertical front, financial services sector remains the industry's highest revenue earner.

Companies do not outsource functions or activities but the entire processes. The critically lies in implementing process as desired by the client.

Process migration requires a consulting mindset and project management skills. It is also cross-functional since it has to interface with recruitment, training, facilities, technology and operations. All these have a reporting relationship with consulting.

Gestation period of BPO tend to be longer than that of a typical center operations. However the transition time is down by 40-50% more for experienced players.

For KPO, the transition is different, as it is not rule based and rarely requires real time turnaround. It is more project-based calling for problem solving rather than continuous process.

The next decade will witness Indian BPOs evolving to offer the widest range of services across multiple, but sharply defined, industry niche, from the lowest end of the value chain to the highest without interruption. That's when BPO will become truly high-end.

BPO Destinations – India, Malayasia, Vietnam, Singapore, Philippines, Latin America, Eastern Europe, South Africa. About 85% of works are concentrated in 13 clusters while these cluster have not been saturated, it is to stay competitive that vendors are entering new cities. For vendors in India, the best option, is to look at tier 2 and 3 cities. Here they continue to offer same savings as in bigger cities.

Increasing employment opportunities – BPO has great socio impact the reason for this impact is the absorption of educated masses into its work force. It in capsule graduates and under graduates from all streams.

Associated jobs – For every BPO jobs created, 5 more are created in the industry – HR, Catering, Transport, Telecom equipment, Real estate, IT services, Office equipments.

Their high disposable income of BPO employee affords them to make a lot of consumer choices like cars and other items.

Introducing the courses at school level to understand the BPO industry will add 2.5 million graduates passing out annually readily employable. BPO will ensure even bigger impact. The KPO industry could help in



erasing some negative imaginary created by BPO industry. Now the KPO industry PH.ds, MBA and Engineers to supply people from clinical research to business solutions.

Future of Indian BPO – Vendors are trying to graduate from commodity process to sophisticated process while it will build better revenue sources. Future BPO players will include highly specialized firms offering services in specific domains like publishing, procurement, supply chain besides companies focusing on research oriented tasks in areas like manufacturing, chemicals and telecom.

BPO boom has arrived in West Bengal, Every now and then new players are coming and FDI investment in Bengal is also foreseen. Govt.'s positive approach and infrastructural development has attracted the Software Giants to come to West Bengal and industry is rising high.

The market share and no. of players in the Indian industry has increased. West Bengal has become 2nd on the software map of India and the BPO units are finding place in Bengal.

India is in the good books of American Corporates as a destination for outsourcing and is highly beneficial and cost effective to US companies irrespective of anti outsourcing bills being introduced in various states of the USA. UK and Australian vendors are also making room in Kolkata BPO/KPO/EPO Market.

Opportunities and threats – IT enabled services especially BPO (Business Process Outsourcing) is the new opportunity to the Software Industry but the threats are reliability of the project, performance, meeting customer requirements and getting payment. Hence players in the industry are reluctant to enter into it. More over recent studies by Garner reveals that the threat of merger and acquisition by Giants and fraud in Big Call Centres have reduced the branding of Indian BPO by 30% but efforts by NASSCOM as to data security and proposed amendment in the I.T. Act, 2000 will handle the situation in the best interest of the industry.

Segment-wise or Product-wise performance – In view of the identical geographical location and the same product, i.e. IT enabled services, there is hardly any need for separate segmental reporting.

Outlook : In view of the bright future prospect of the I.T. enabled services, the Company has to adopt the model of mergers & acquisitions and to expand its operation in more than one location in India specially in special Economic Zone. This will not deprive the Company of being at par with other existing 100% EOU's. The Company envisages to start a HR Development for Call Centre staffing separately, as an HR activity. The Company plans to escalate the size of Call Centre to 1500 seater on allotment of land from Govt. of West Bengal with an estimated investment of Rs.35 Crores. Now the Company has approved the project to develop a special economic zone as developer at an estimated cost of Rs. 400 crores.

Risks and Concerns – The Company is concerned with the continuity of the regular flow of work and foresees the risk of availability as well as the retention of the required qualitative man power especially keeping in view the high zonal employee turnover and competitiveness due to giant entrants in BPO/KPO/EPO industry. Acute shortage of experienced Call Centre professionals is the burning question for the industry. In voice based operations infrastructural support as to zero break downs, is the another Contingent Factor which effects revenue. Sufficient profitability is still away due to non absorption of fixed overheads visa vis the size of the operation in the Company. Break even with good profitability is foreseen in the days to come. Service delivery with quality assurance is yet to be streamlined. BPO units at Kolkata are too needy for outsourced work, the negotiation power is less and has to agree without security of payment. As such chances of bad debts can't be ruled out. Recent found at BPO/KPO/EPO performance in India. Laws are yet to be further strengthened to book the culprits so that no one else can dare to do so Sanction of letter of permission for SEZ projects is contingent upon the approval strategy of the Govt. and availability of venture capitalists or joint venture partners to support the same.

Internal Control System and their adequacy – The Company has an Internal Control and Audit System Commensurate with its size and nature of its business.

Discussion on financial performance with respect to operational performance – Certain laws, introduced by the Federal Government in the USA against outsourcing of Government jobs to Indians and after the vanishing of the charm of e-commerce in world economy, the Company's performance has been severely affected and the Company has no option but to identify new avenues of software services. Of late, it started Medical Transcription, but the volume and quality was not enough to serve the equity of the Company and results are adversely affected. The Company has commenced its Call Centre activities and results are encouraging but awaited. The current year has not been able to make surplus. The Company is moving towards more KPO project rather than low end BPO Project.



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Material development in Human Resources/Industrial Relation front, including No. of people employed – Number of old employees were reduced in view of the low production and of course new skilled manpower was introduced for Medical Transcription and Call Centre and there is a smooth operational relations with the employees of the Company. The Company has outsourced the work to the professional consultants. The Company has attempted lately to develop the required skilled human resource for the future prospective projects in KPO in good hope.

(F) Shareholders Grievance Committee :

For the quick redressal of the shareholders and the investors grievances, investors grievance committee has been formed. The members of the investors Grievance Committee are –

Name of the Member	Position	No. of Meeting held	No. of Meeting attended
Mr. Ajay Kumar Agarwal	Executive Director	5	5
Mr. S. M. Gupta	Member	5	5

The total number of complaints received and replied to the satisfaction of shareholders. There were no complaints pending as on 31st March, 2006.

6. General Body Meetings :

The details of Annual General Meeting held in last 3 years are as under:–

Annual General Meetingr	Day	Date	Time	Venue
15th Annual General Meeting	Wednesday	24.09.03	11.00 A.M.	Regd. Office
16th Annual General Meeting	Saturday	25.09.04	11.00 A.M.	Regd. Office
17th Annual General Meeting	Thursday	29.09.05	11.00 A.M.	Regd. Office

7. Means of communication :

The quarterly, half yearly and yearly financial results of the Company are sent to the 'Stock Exchanges' immediately after being approved by the Board. These are widely published in newspaper namely Financial Express.

These results are simultaneously posted on the website of the Company at <http://www.lnsel.com>. The official press releases are also available on the website. Pursuant to SEBI circular no. SMD/PolicesCIR/13/02 dt.20.6.2002 & SMD Policy/CIR/17/02 dt. 3.7.2002 relating to electronic data information filing and retrieval (EDIFAR) the Company is electronically filing specific documents/statements on the EDIFAR websites viz www.sebidifar.nic.in

8. GENERAL SHAREHOLDERS INFORMATION :

8.1. Registered Office :

14B, Camac Street, 2nd Floor
Kolkata - 700 017.

8.2. Address for Correspondence :

Same as above.

8.3. Plant Location :

- SDF Building, Saltlake Electronics Complex, 4th Floor, Block GP, Sector-V, Bidhannagar, Kolkata - 91.
- Software Technology Park, Priyadarshini Market, CRP Square, Bhubaneshwar-751 012, Orissa.
- Hall No.5 & 6 C/o. Software Technology Park of India, IG Park, Rourkela-769 002.
- Bizzyland Bldg., R. No. 403, 4th Floor, Kuntekar Road, 776/A, Sadashiv Peth, Pune-411 030.

8.4. Share Transfer Agents :

Pursuant to SEBI circular No. DCCC/FITTC/CIR-15/2002 dt. 27.12.2002 all the works relating to the share registry for the shares held in the physical form as well as the shares held in the electronic form (demat) are being done at one single point and for this purpose SEBI registered Category 1 Registrar and Share Transfer Agents has been appointed w.e.f. 23.2.2003 whose details are given below :

Maheshwari Datamatics Pvt. Ltd.

6, Mangoe Lane, 2nd Floor, Kolkata - 700 001

Phone : 2243 5029/5809, Fax : 2248 4787, E-mail : mdpl@cal.vsnl.net.in

Demat ISIN Nos. : INE791B01014



Lee & Nee Software (Exports) Ltd.

Investors' Complaints may be Addressed to :

Share Transfer Agents at the above mentioned address and/or to the Director, Investors' Grievance Committee.
Lee & Nee Software (Exports) Ltd., 14B, Camac Street, 2nd Floor, Kolkata - 700 017.

8.5. Annual General Meeting :

Date : 30.09.2006

Time : 11.00 A.M.

Venue : Development Office

SDF Building, Saltlake Electronics Complex, 4th Floor, Block GP, Sector-V, Bidhan Nagar, Kolkata-700091.

8.6. Book Closure :

23rd Day of September 2006 to 30th Day of September, 2006.

8.7. Listing of Securities :

Name of the Stock Exchanges :

Bombay Stock Exchange Limited

The Calcutta Stock Exchange Association Ltd.

The Stock Exchange, Ahmedabad.

8.8. (a) Distribution of Shareholding :

The Shareholding distribution of equity shares as of 31st March, 2006 is given below :

Sl. No.	No. of Equity Shares held	No. of Share holders	No. of Shares	% of Shareholding
1	1 to 500	19368	3703589	13.87
2	501 to 1000	1985	1736496	6.50
3	1001 to 2000	908	1474994	5.53
4	2001 to 3000	297	772979	2.90
5	3001 to 4000	135	499091	1.87
6	4001 to 5000	152	731378	2.74
7	5001 to 10000	185	1377891	5.16
8	10001 to Above	121	16397582	61.43
		23151	26694000	100.00

8.8. (b) Market Price Data :

The details of high/low market price of the share at the Kolkata and Mumbai Stock Exchanges are as under :

Month	Quotation at Mumbai Stock Exchange		Quotation at Kolkata Stock Exchange	
	High (Rs.)	Low (Rs.)	High (Rs.)	Low (Rs.)
April 2005	4.65	3.21	4.30	3.40
May 2005	4.49	3.10	4.10	3.30
June 2005	7.45	3.90	6.25	4.65
July 2005	6.00	4.80	5.40	4.90
August 2005	7.99	4.56	7.15	4.75
September 2005	7.18	3.81	6.85	3.80
October 2005	4.22	2.65	4.05	2.75
November 2005	3.80	3.00	3.70	3.15
December 2005	3.16	2.60	3.20	2.65
January 2006	3.21	2.60	3.15	2.50
February 2006	2.75	2.01	2.60	2.10
March 2006	2.30	1.63	2.25	1.70



Lee & Nee Softwares (Exports) Ltd.

8.9. Shareholding Pattern (as on 31.03.2006)

Category	No. of Holders	No. of shares	% of holding
PROMOTER	19	13128355	49.1809
NRI	16	12714	0.0476
FII	-	-	-
OCB	-	-	-
IFI	-	-	-
IMF	-	-	-
BANK	1	100	0.0004
EMPLOYEES	-	-	-
BODIES CORPORATE	276	869861	3.2586
PUBLIC	22839	12682970	47.5124
TRUST	-	-	-
Total	23151	26694000	100.0000

8.10. Dematerialisation of Shares :

Nearly 91.79% of Total Equity Capital is held in dematerialised form with NSDL and CDSL as on 31st March, 2006.

8.11. Share Transfer System :

Shares sent for transfer in physical form are registered by our Share Transfer Agents within 30 days of receipt of the documents, if documents are found in order. Shares under objection are returned within two weeks.

8.12. Financial Calender 2006 - 2007 :

First quarterly results	: July, 2006
Second quarterly results	: October, 2006
Third quarterly results	: January, 2007
Annual results for the year ending on 31st March, 2007	: On or before 31st July, 2007
Annual General Meeting for the year ending on 31st March, 2007	: On or before 30th September, 2007

On behalf of the Board of Directors
For LEE & NEE SOFTWARES (EXPORTS) LTD.

Place : Kolkata

Dated : The 30th day of August, 2006

Sd/-
(RAJESH AGARWAL)
Chairman



CERTIFICATE BY CEO/CFO

We Ajay Kumar Agarwal and Mr. S. M. Gupta directors of Lee & Nee Softwares (Exports) Ltd. to the best of our knowledge and belief, certify that :

1. We have reviewed the Balance Sheet and Profit and Loss Account and all its Schedules and Notes on Accounts, as well as the Cash Flow Statement, in respect of the year 2005-2006.
2. These Statements do not contain any materially untrue statement or omit any material fact nor do they contain statements that might be misleading.
3. These statements together present true and fair view of the Company and are in compliance with the existing Accounting Standards and/or applicable laws/regulations.
4. We are responsible for establishing and maintaining internal controls for financial reporting and have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting and we have also disclosed to the Auditors and the Audit committee, deficiencies in the design or operation of internal controls for financial reporting, if any, and what we have done or propose to do to rectify these;
5. As there were no instances of fraud, that involves management or employees having a significant role in the Company's internal control systems for financial reporting, no disclosure were required to be made.
6. We have indicated to the Auditors, the Audit Committee and in the notes on accounts, whether or not there were significant changes in internal control for financial reporting and/or of accounting policies during the year.

Place : Kolkata

Dated : The 30th day of August, 2006

AJAY AGARWAL
Executive Director

S. M. GUPTA
Director



AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

To the Members of LEE & NEE SOFTWARES (EXPORTS) LIMITED

We have examined the compliance of Corporate Governance by Lee & Nee Softwares (Exports) Limited (the Company) for the year ended 31st March, 2006 as stipulated in clause 49 of the Listing Agreement of the said Company with the Stock Exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in clause 49 of the above mentioned Listing Agreement.

As required by the Guidance Note on Certification of Corporate Governance issued by the Institute of Chartered Accountants of India, we state that the Share transfer division has certified that as at March 31, 2006, there were no investor grievances remaining unattended/pending for more than 30 days.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For PATANJALI & CO.
Chartered Accountants

Sd/-

Place : Kolkata

(VIRAT SHARMA)

Dated : The 30th day of August, 2006

Partner.
M. No. 61553



Lee & Nee Softwares (Exports) Ltd.

AUDITORS' REPORT

To,
The Members of M/s. Lee & Nee Softwares (Exports) Ltd.

We have audited the attached Balance Sheet of M/s. Lee & Nee Softwares (Exports) Ltd. as on 31st March, 2006 and the Profit & 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.

1. 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.
2. As required by the Companies (Auditors' Report), Order, 2003, issued by the Company Law Board in terms of section 227 (4A) of the Companies Act, 1956, and on the basis of such checks as we considered appropriate and according to the information and explanations given to us, we give in the Annexure a statement on the matters specified in paragraph 4 and 5 of the said order.
3. Further to our comments in the Annexure referred to in paragraph 1 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 have been kept by the Company as required by law so far as appears from our examination of such books of Head Office and its branches.
 - c) The Balance Sheet and Profit & Loss Account referred to in this report, are in agreement with the books of account at Head Office and its branches.
 - d) In our opinion, **subject to Note No.5 of schedule 'C'** read together with other notes on accounts, the Balance Sheet and Profit and Loss Account dealt with by this report have been prepared in compliance with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act 1956.
 - e) On the basis of the confirmation received from the Directors and taken on record by the Board of Directors, none of the Directors is disqualified as on 31.3.2006 from being appointed as a Director of the Company under Section 274(1)(g) of the Companies Act 1956.
 - f) In our opinion and to the best of our information and according to the explanation given to us, the said Balance Sheet and the Profit & Loss Account read together with Company's accounting policies and other notes thereon **particularly Note No. 5 to schedule 'C'** for which we have relied on managements perception, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view :
 - i) in the case of Balance Sheet, of the state of affairs of the Company as on 31st March, 2006 and
 - ii) in the case of Profit and Loss Account, of the loss of the Company for the year ended on that date.

For PATANJALI & CO.
Chartered Accountants

Sd/-

(VIRAT SHARMA)

Partner.

M. No. 61553

Place : Kolkata

Dated : The 30th day of August, 2006



ANNEXURE TO THE AUDITORS' REPORT

(REFERRED TO IN PARAGRAPH 2 OF OUR REPORT OF EVEN DATE)

- (i) a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- b) The assets have been physically verified by the management at reasonable intervals. No material discrepancies have been noticed on such verification.
- c) The Company has not disposed off any substantial part of its fixed assets during the year.
- (ii) a) The inventory has been physical verified during the year by the management. In our opinion, the frequency of such verification is reasonable.
- b) The procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and nature of its business.
- c) The Company is maintaining proper records of inventory. No material discrepancies were noticed on verification between physical stocks with the book records.
- (iii) a) The company has not taken any loans from companies, firms or persons listed in Register maintained under section 301 of the Companies Act, 1956 therefore provisions of clause 4(iii)(a) to 4(iii)(b) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
- (iv) In our opinion and according to the informations and explanations given to us, there are adequate internal control systems commensurate with the size of the Company and the nature of its business with regard to purchase of inventory and fixed assets and with regard to the sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal control systems.
- (v) a) According to informations 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 companies Act, 1956 have been so entered.
- b) In our opinion and according to informations and explanations give to us, the Company has entered into transaction in pursuance of contracts or arrangements that need to be entered in the register maintained under section 301 of the Companies Act, 1956 exceeding the value of Rs. Five lakhs in respect of any party.
- (vi) The Company has not accepted any deposit from the public.
- (vii) In our opinion the Company has an internal audit system commensurate with the size and nature of its business.
- (viii) As informed to us the maintenance of cost record has not been prescribed by the Central Government under section 209 (i) (d) of the Companies Act, 1956 for the products of the Company.
- (ix) a) The Company is regular in depositing with appropriate authorities undisputed statutory dues including Provident Fund, Investor Education and Protection fund, Employees State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty, cess and other statutory dues applicable to it.
- b) According to information and explanations given to us, no undisputed amounts payable in respect of the Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty and Excise Duty and cess were in arrears as at 31st March, 2006 for a period of more than six months from the date they became payable.
- c) According to information an explanation given to us, there are no dues of Income Tax, Sales Tax, Service Tax, Custom Duty and cess which have not been deposited on account of any dispute other than disclosed in notes on accounts.



Lee & Nee Softwares (Exports) Ltd.

- (x) The Company has accumulated losses amounting to Rs. 2,90,99,842.32/- as at 31st March, 2006 and it has incurred cash loss in the financial year 2005-06 previous year Rs. 65,32,030/-
- (xi) The Company has not granted any loans and advances on the basis of security by way of pledge of shares.
- (xii) The Company is not a nidhi/mutual benefit fund/society, therefore the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
- (xiii) The Company is not dealing/trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
- (xiv) According to the information and explanation given to us, the Company has not given any guarantee for loans taken by others from bank or financial institutions.
- (xv) The Company has not taken any term loans, therefore the provisions of Clause (xv) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
- (xvi) 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.
- (xvii) During the year, the Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under section 301 of the Companies Act, 1956.
- (xviii) 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 PATANJALI & CO.
Chartered Accountants

Place : Kolkata
Dated : The 30th day of August, 2006

Sd/-
(VIRAT SHARMA)
Partner.
M. No. 61553

BALANCE SHEET AS ON 31ST MARCH, 2006

[illegible]

Schedule A to Canned to and forming part of the Balance Sheet
In terms of our separate report of even date

For PATANJALI & CO.
Chartered Accountants
Sd/-
(VIRAT SHARMA)
Partner. (M. No. 61553)

Place : Kolkata
Dated : The 30th day of August 2006

Director : 1. Rajesh Agarwal
2. Ajay Agarwal

LEE & NEE SOFTWARES (EXPORTS) LTD.
SDF BLDG. SOFTWARE TECHNOLOGY PARK, KOLKATA-91
PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2006

FIGURES FOR THE PREVIOUS YEAR		PARTICULARS		RS.		P.		FIGURES FOR THE PREVIOUS YEAR		PARTICULARS		RS.		P.	
(RS.)								(RS.)							
11,23,152/-		TO OPENING STOCK : (FINISH GOODS)		45,10,199	76			51,97,955/-		BY SOFTWARE DEV. & SERVICES :					
62,51,153/-		* PURCHASES : (SOFTWARE SERVICE)		33,39,653	00			—		SOFTWARE SERVICES : (ITES)					
4,90,082/-		* SALARIES & EXGRATIA :		22,74,752	81					Exports				96,01,892	51
1,80,866/-		* STAFF FOODING EXPENSES : (AT OFFICE)		4,88,063	00										
91,567/-		* RENT, RATES & TAXES :		2,51,046	00										
4,89,302/-		* ELECTRICITY EXPENSES :		8,91,883	00										
1,22,169/-		* MOTOR CAR EXPENSES :						5,127/-		* INTEREST :					
		* REPAIRS & MAINTENANCE :		2,16,844	55			3,60,279/-		From Bank					
33,332/-		Machinery								From Others (TDS Rs. 48,962/-)				2,16,000	00
1,09,420/-		Buildings		27,136	00					Prev. Year Rs. 53,948/-)					
56,687/-		Others													
64,88,044/-		* COMMUNICATION EXPENSES :		2,43,980	55			430/-		* DIVIDEND :				1,294	00
		* TRAVELLING & CONVENANCE :		12,32,061	83										
79,935/-		To Directors								* PROFIT FROM BRANCH : (100% EOU)					
1,92,551/-		* I.T. ENABLED SERVICE						17,47,746/-							
		PROCUREMENT EXPENSES :		2,20,439	00					* PROFIT FROM FLUCTUATION OF FOREIGN EXCHANGE :				466	73
3,01,062/-		* MISCELLANEOUS EXPENSES :		5,10,504	41									2,10,500	00
		(Incl. Rs. 8,000/- as Directors' sitting fees)													
20,269/-		(Previous Years 14,000/-)		1,49,218	00										
2,94,834/-		* ADVERTISING & PUBLICITY :		39,677	00			4,081/-		* SUNDRY BALANCES WRITTEN OFF :				3,500	00
5,510/-		* PROFESSIONAL CHARGES													
		* AUDITORS' REMUNERATION :		5,612	00										
		As Audit Fee		57,064	00										
3,34,343/-		* LOSS ON SALE OF SHARES :		33,19,524	11			45,10,200/-		* CLOSING STOCK :				45,10,199	76
		* LOSS FROM BRANCHES :								Finished Goods (Software Package)					
		(Include Depreciation Rs. 1,28,332.81)		2,36,069	55									46,37,091	33
3,43,532/-		* LOSS FROM STPI UNITS : (100% EOU)						65,32,031/-		* BALANCE CARRIED DOWN :					
1,22,260/-		(Include Depreciation Rs. 23,894.19)		1,22,260	00										
92,000/-		* SHARE ISSUE EXP. WRITTEN OFF :		78,726	00										
1,80,754/-		* SHARE TRANSFER & REGISTRY FEES :													
1,79,956/-		* POSTAGE & STAMP :		1,82,986	71										
2,02,515/-		* VEHICLE HIRE EXPENSES :													
2,07,461/-		* PRINTING & STATIONERY :		27,796	70										
3,62,519/-		* DEPRECIATION :		6,16,142	00										
2,574/-		* PRELIMINARY EXPENSES WRITTEN OFF :		3,62,519	00										
		* SHARE OF LOSS IN PARTNERSHIP FIRM :		20,765	90										
Rs. 1,83,57,849/-				Rs. 1,91,80,944.33				Rs. 1,83,57,849/-				Rs. 1,91,80,944.33			
1,79,30,720/-		To BALANCE BROUGHT FORWARD :		2,44,82,750	99			2,44,82,751/-		* BALANCE CARRIED TO BALANCE SHEET :		2,90,99,842	32		
65,32,031/-		* BALANCE BROUGHT DOWN :		46,37,091	33										
Rs. 2,44,62,751/-				Rs. 2,90,99,842.32				Rs. 2,44,62,751/-				Rs. 2,90,99,842.32			

Schedule A to C annexed to and forming part of the Balance Sheet
In terms of our separate report of even date

For PATANJALI & CO.

Chartered Accountants

Sd/-

(VIRAT SHARMA)

Partner. (M. No. 61553)

(19)

Place : Kolkata
Dated : The 30th day of August, 2006

Director : 1. Rajesh Agarwal
2. Ajay Agarwal

LEE & NEE SOFTWARES (EXPORTS) LTD.

SCHEDULE 'A' FIXED ASSETS

(ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS ON 31.03.2006)

PARTICULARS		GROSS BLOCK			DEPRECIATION			NET BLOCK				
	Cost as on 1.4.2005	Addition during the year	Loss on Revaluation	Sales/Trsf. during the year	Total as on 31.03.2006	Up to 31.3.2005	For the Period on Revaluation	For the year	Sale/Transfer for the year	Total	As on 31.3.2006	As on 31.3.2005
Plant & Machinery (Comp)	3,60,866.61	13,37,385.23	—	—	16,98,251.84	2,35,164.11	—	5,06,202.55	—	7,41,366.66	9,56,885.18	1,25,702.50
Plant & Machinery (Others)	4,00,970.00	3,84,240.00	—	—	7,85,210.00	2,10,354.29	—	36,789.19	—	2,47,148.48	5,38,066.52	1,90,615.71
Furniture & Fittings	3,14,968.67	8,900.00	—	—	3,23,868.67	1,46,506.77	—	32,070.35	—	1,78,577.12	1,45,291.55	1,68,461.90
Communication Equipment	783.00	—	—	—	783.00	453.84	—	45.06	—	498.90	284.10	329.16
Access Control System	—	15,580.50	—	—	15,580.50	—	—	1,772.00	—	1,772.00	13,808.50	—
Air Conditioner	69,639.00	—	—	—	69,639.00	30,747.00	—	5,409.85	—	36,156.85	33,482.15	38,892.00
Computer Software	—	7,08,000.00	—	—	7,08,000.00	—	—	1,86,080.00	—	1,86,080.00	5,21,920.00	—
Total (Rs.)	11,47,227.28	24,54,105.73	—	—	36,01,333.01	6,23,226.01	—	7,68,369.00	—	13,91,595.01	22,09,738.00	5,24,001.27
Fig. for the Prev. Year	65,90,827.88	6,27,928.00	—	60,71,528.60	11,47,227.28	52,44,670.77	—	3,42,104.97	49,63,549.73	6,23,226.01	5,24,001.27	13,46,157.11

Note : Depreciation in respect of Export Division Rs. 6,16,142.00 (previous year Rs. NIL) and 100% EOU Rs. 23,894.19 (previous year Rs. 37,018.93) & branches amounting to Rs. 1,28,332.81 as shown above have been charged to the respective divisional account out of the Depreciation as appearing above.

In terms of our separate report of even date

For PATANJALI & CO.

Chartered Accountants

Sd/-

(VIRAT SHARMA)

Partner,

(M. No. 61553)

(20)

Place : Kolkata

Dated : The 30th day of August, 2006

Director : 1. Rajesh Agarwal
2. Ajay Agarwal

LEE & NEE SOFTWARES (EXPORTS) LTD.

SCHEDULE 'B' INVESTMENTS (AT COST)
(ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS ON 31.3.06)
1. OTHER THAN TRADE INVESTMENTS : INVESTMENT IN EQUITY SHARES : (FULLY PAID UP) (LONG TERM INVESTMENT)

QUOTED	PREVIOUS YEAR		NAME OF THE COMPANY		NOS.	CURRENT YEAR	
	NOS.	Rs.	P.			Rs.	P.
	1000	42,950.00		Singhal Cement Ltd.	1000	42,950.00	
	3400	1,25,520.00		Harrig Crankshafts Ltd.	3400	1,25,520.00	
	300	61,200.00		Krone Communication Ltd.	300	61,200.00	
	361560	45,19,500.00		Gujrat Textspin Ltd.	361560	45,19,500.00	
	90000	15,66,000.00		White Diamond Ltd.	90000	15,66,000.00	
	146100	18,26,250.00		Crazy Intolech Ltd.	89200	11,15,000.00	
	268800	15,22,400.00		Aashiana Agro India Ltd.	268800	15,22,400.00	
	106	2,120.00		Enkay Textoflood Ltd.	106	2,120.00	
	65	940.53		ICICI Ltd.	65	940.53	
	100	515.00		Neena Consultants Ltd.	100	515.00	
	50	1,500.00		PCS Data Products Ltd.	50	1,500.00	
		Rs. 96,68,895.53					Rs. 96,68,895.53

UNQUOTED							
41425	23,62,500.00			Shiv Leasing Ltd.	41425	23,62,500.00	
60000	6,00,000.00			Vora Financial Ltd.	60000	6,00,000.00	
1100	8,500.00			Visura Trad. & Invt. Ltd.	1100	8,500.00	
—	—			Arnhant Domestic Appliances (P) Ltd.	1629690	2,50,00,000.00	
	Rs. 29,71,000.00					Rs. 29,71,000.00	

974006	Rs. 1,26,39,895.53	Total	2489696	Rs. 3,89,28,845.53
Total Cost of Quoted Investments	Rs. 89,57,645.53			
Total Cost of Unquoted Investments	Rs. 2,79,71,000.00			
Market Value of Quoted Investments	Rs. 90,35,278.20			

2. Current Investments (At cost or market value whichever is lower) Other than Trade Investments (Quoted)

PREVIOUS YEAR	NAME OF THE COMPANY		NOS.	Amount	CURRENT YEAR	
	Century Extrusions Ltd.		200	1,200.00		
	Hindustan Motor Ltd.		100	660.00		
	Hindustan Construction Ltd.		100	1,570.00		
	R. D. B. Industries Ltd.		100	100.00		
	Phillips India Ltd.		100	8,200.00		
			600	Rs. 11,730.00		Rs. 11,730.00

Market Price Rs. 32256/- (Previous Year Rs. 20152/-)

3. Investment in Debentures (Quoted) Long term Investment

25	Rs. 2,250.00	Finolex Pipes Ltd.	Rs. 2,750.00
	Rs. 21,89,221.28	Investment in Partnership Firm	
		M. M. International (Total Capital Rs. 20,01,103.88)	
		(Other Partner : Mahesh Gupta) (Share of Profit - 50%)	
	Rs. 21,91,471.28		Rs. 7,51,850.38
	Rs. 1,48,43,096.81	GRAND TOTAL	Rs. 7,54,100.38
			Rs. 3,76,94,475.91

In terms of our separate report of even date

For **PATANJALI & CO.**

Chartered Accountants

Sd/-

(VIRAT SHARMA)

Partner: (M No. 61553)

(21)

Place : Kolkata

Dated : The 30th day of August, 2006

Director : 1. Rajesh Agarwal

2. Ajay Agarwal



SCHEDULE 'C' NOTES ON ACCOUNTS

A. SIGNIFICANT ACCOUNTING POLICIES :

The financial statement has been prepared under historical cost convention and as going concern concept and in accordance with generally accepted accounting principles and provisions of the Companies Act, 1956 as well as guidelines prescribed by the Institute of Chartered Accountants of India.

a) Method of Accounting :

The Company follows the mercantile system of accounting and generally the accrual concept in preparing the accounts except dividend which is recorded on cash basis.

b) Revenue/Expenses Recognition :

Revenue and Expenses are recognised only when accrued and their collection and payment is reasonably certain. Software development income has been accounted for contractually though the payments are received progressively. Software Development expenses and/or copy right fees are accounted for on satisfactory completion.

c) Accounting of Software Package Development :

Expenses incurred on development of software packages are shown under work in progress till the package are fully developed.

d) Fixed Assets :

All Fixed Assets are stated at cost inclusive of expenses incurred to put them for use.

e) Investments :

Investments are stated at cost. The management perceives all the investments in securities as long term save and except mentioned as current investment in the Schedule "B".

f) Depreciation :

Depreciation on all Fixed Assets has been provided on written down value method at the rates specified in schedule XIV to the Companies Act, 1956 on prorata basis.

g) Valuation of Inventories :

Software packages and printed materials are valued at cost. Finished goods excluding developed software package are valued at lower of cost or if any estimated net realisable value. Work-in-progress including the cost of developed software is taken at estimated cost.

h) Foreign Currency Transaction :

i) Transactions in Foreign Currency are normally recorded at prevailing exchange rate, at the time of the transaction. The resultant gain or loss on realisation of foreign currency is recognised in Profit & Loss Account as exchange fluctuation.

B. NOTES ON ACCOUNTS :

1) Contingent Liabilities not provided for :

- a) E-accounting business procurement fee, amounting to contracts value for Rs.27,00,000/- yet to be executed has not been provided for (previous year Rs.27,00,000/-)
- b) Counter guarantee given to Indusind Bank Ltd. in respect of Bank Guarantee of Rs. 3,00,000/- issued by them in favour of Department of Telecommunication, Govt. of India. (previous year Rs.3,00,000/-)

2) Income Tax demands against the Company not acknowledged as debts not provided for, in respect of which the Company is in appeal for the Asst. Year 2004-05 is Rs. 13,17,614/- (Previous Year Rs. Nil). Demand for custom duty on behalf of audit amounting to Rs. 69,62,085/- is not acknowledged as debts, being disputed.

3) Company has no outstanding dues as on 31.03.2006 payable to small scale units.

4) There is decline in carrying amounts of the long term Investments in shares of certain limited companies. However no provision for the resultant amount of decline is made in profit & loss a/c as the same is not ascertainable.



Lee & Nee Softwares (Exports) Ltd.

- 5) As the Company is dealing only in softwares business at all its centers, the segment reporting as per AS 17 is not required.
- 6) In the opinion of Board of Directors, Current Assets, Loans and Advances have a value of realisation in the ordinary course of business atleast equal to the amount at which they are stated in the Balance Sheet and are subject to confirmations by the respective parties.
- 7) Figures for the previous year have been regrouped/rearranged wherever necessary except profit & loss account of export division unit prepared separately pursuant to the requirement of the amendment in section 10 B of the IT Act 1961 and the branches are therefore not comparable with the figures of previous year.
- 8) Figures of current year are not strictly comparable with the figures of previous year in Computer Software Business.
- 9) Deemed exports at Calcutta STPI amounting to USD 174473 (INR. 76,31,604.37) (Previous year USD 94182.84) (INR 42,63,610.70) has been received from Rourkela STPI unit contractually and is reflecting on both the a/cs. but the contra effect shall be nil.
- 10) Expenses incurred at Pune Office of Unit L. T. Soft & Services amounting to Rs. 6,77,891.50 during the year have been capitalised directly in the Balance Sheet under the head work in progress since it does not effect the Profit & Loss of the Company.
- 11) Additional information pursuant to the provisions of paragraph 3 & 4 of part II of Schedule VI to the Companies Act. 1956

a) Licensed and Installed Capacities

Under the new industrial policy no. specific licence or installed capacity is necessary for the products manufactured by the company.

	Current Period Amount (Rs.)	Previous Period Amount (Rs.)
b) Opening Stock		
Softwares	45,10,199.76	11,23,151.00
c) Purchase		
Software Services	33,39,653.00	62,51,153.00
d) Sales		
Exports Software		
Services etc.	96,01,893.00	67,26,246.00
Others	—	4,56,157.00
	<u>96,01,893.00</u>	<u>71,82,404.00</u>
e) Closing Stock		
(Software)	45,10,199.76	45,10,199.00
12) Materials Consumed		
(Consumables & components)		
& Printed Materials Imported	Nil	Nil
Indigenous		
Export Division	Nil	Nil
Others	Nil	Nil
13) CIF Value of Imports :	Nil	Nil
14) Expenditure in Foreign Currency :		
Hosting & Domain Registration		
& Travelling Expenses	9,90,823.46	52,76,764.00
15) Earning in Foreign Exchange :		
Export on FOB Basis	72,57,510.14	67,26,247.00



Lee & Nee Softwares (Exports) Ltd.

16) Related Parties Disclosures as per AS 18 which came into effect in respect of accounting period commencing on or after 01.04.2002.

i) Name of the Key Management Personnel :

Shri S. M. Gupta	Promoter Director
Shri Ajay Agarwal	Executive Director
Shri Rajesh Agarwal	Director
Shri Paresh Agarwal	Director

ii) Parties Related to the Key Management Personnel where they are interested as relative/partner/director in the firms/companies etc.

S. M. Gupta & Company
 Leena Gupta, Raj Kumari Agarwal, Mahesh Gupta
 Sunita Gupta, Rajesh Mohan & Associates
 Paresh Agarwal & Associates, Neena Gupta

iii) The company has entered into transactions with certain parties as listed above during the year as under :

		Current Year	Previous Year
S. M. Gupta & Company	Consultancy Charges	Rs. —	Rs. 240000/-
Directors	Meeting Fees	Rs. 8000/-	Rs. 14000/-
Leena Gupta	Professional Fees & Rent	Rs. —	Rs. 66000/-
Raj Kumari Agarwal	Rent	Rs. 18,000/-	Rs. 18000/-
Neena Gupta	Rent	Rs. 36,000/-	Rs. —
Mahesh Gupta	Rent	Rs. 36,000/-	Rs. —

17) **BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE AS PER PART IV OF SCHEDULE VI TO THE COMPANIES ACT, 1956.**

1) **Registration Details**

(Rs. in thousands)

Registration No.	45,587
State Code	21
Balance Sheet Date	31.03.2006

2) **Capital Raised During the Year**

Public Issue	NIL
Rights issue	NIL
Bonus Issue	NIL
Private Placement	NIL

3) **Position of Mobilisation and Deployment of Funds**

Total Liabilities	272781
Total Assets	272781
Sources of Funds	
Paid up Capital	266940
Reserve & Surplus	10
Secured Loans	NIL
Un-Secured Loans	NIL
Application of Funds	
Net Fixed Assets	2210
Investments (Including Investment in Partnership firm)	37694



Lee & Nee Softwares (Exports) Ltd.

Net Current Assets	197461
Miscellaneous Expenditure	485
Accumulated Losses	29100

4) Performance of Company

Total Income	10034
Total Expenditure	14671
Loss Before Tax	4637
Loss After Tax	4637
Earnings per Shares	NIL
Dividend Rate	NIL

5) Generic Names of three Principal Products/Services of the Company.

Item Code (ITC Code) :	852499	852499	N.A.
Product Description :	Software development & Export	Export of Software & Project Management Services	Manufacturing & Export, Marketing of Computer Software, Hardware Products & Services.

In terms of our report of even date annexed

For PATANJALI & CO.

Chartered Accountants

Place : Kolkata

Dated : The 30th day of August, 2006

Sd/-
(VIRAT SHARMA)
Partner.
M. No. 61553

Director 1. Rajesh Agarwal
2. Ajay Agarwal



Lee & Nee Softwares (Exports) Ltd.

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2006

	Figures for the Current Year		Figures for the Previous Year	
	Amount (Rs.)	Amount (Rs.)	Amount (Rs.)	Amount (Rs.)
A. Cash Flow from Operating Activities :				
Net Profit as per P & L A/c.		(46,37,091)		(65,32,031)
Adjusted for :				
Depreciation	7,68,369		3,42,105	
Loss on Revaluation of Assets	—		—	
Loss on Sale of Shares	57,064		—	
Profit/(Loss) on sale on fixed assets	—		—	
Deferred Revenue Expenses w/o	—		—	
Preliminary & Share Issue Expenses	4,84,779		4,84,779	
Interest & Dividend	(2,17,294)		(3,65,836)	
Sundry Balance w/o	—		—	
Profit/(Loss) on Investment (In Partnership Firm)	20,766		2,574	
		11,13,684		4,63,622
Operating Profit/loss before working Capital Changes		(35,23,407)		(60,68,409)
Adjust for :				
Inventories	(6,77,892)		(39,79,343)	
Trade & Other Receivables	48,22,260		1,90,99,066	
Trade Payable	(34,45,660)		45,66,618	
Provisions (against Software Maint.)	—	6,98,708	—	1,96,86,341
Cash Flow before Extra Ordinary Items		(28,24,699)		1,36,17,932
Extra Ordinary Items :				
Increase in Reserve & Surplus	—		—	
Increase in Preliminary Expenses	—	—	—	—
Net Cash Out Flow from Operating Activities		(28,24,699)		1,36,17,932
B. Cash Flow from Investing Activities :				
Sale of Fixed Assets	—		11,07,981	
Purchase of Fixed Assets	(24,54,106)		(6,27,928)	
Interest Received	2,16,000		3,65,406	
Dividend	1,294		430	
Sale of Investment	—		—	
Purchase of Investment	(2,43,45,814)		—	
Movement of Loans & Advances	2,82,42,520		(1,41,71,046)	
Investment in Partnership Firm assets acquired on amalgamation	14,37,371		(9,08,627)	
Profit/Loss on Investment (In Partnership Firm)	(20,766)	30,76,499	(2,574)	(1,42,36,358)
Net Cash Flow from Investing Activities		2,51,800		(6,18,426)
C. Cash Flow from Financing Activities :				
Increase in Share Capital	—	—	—	—
Cash Equipments (A + B + C)		2,51,800		(6,18,426)
Cash & Cash Equivalents as at the commencement of the year		2,77,738		6,72,857
Cash & Cash Equivalents as at the end of the year		5,29,538		54,431

For & On Behalf of the Board
Director 1. Rajesh Agarwal
2. Ajay Agarwal

AUDITORS' REPORT

We have verified the Cash Flow Statement of M/s. LEE & NEE SOFTWARES (EXPORTS) LIMITED, KOLKATA derived from the audited financial statements and the Books and Records maintained by the Company for the year ended 31st March, 2006 and found the same in agreement therewith.

For PATANJALI & CO.
Chartered Accountants
(VIRAT SHARMA)
Partner.
M. No. 61553

Place : Kolkata
Dated : The 30th day of August, 2006

BOOK-POST

To, _____

If undelivered, please return to :



LEE & NEE SOFTWARES (EXPORTS) LTD.

Office : Saillake Electronics Complex, Block "GP"
Sector-V, SDF Building, 4th Floor,
Bidhannagar, Kolkata - 700 091