



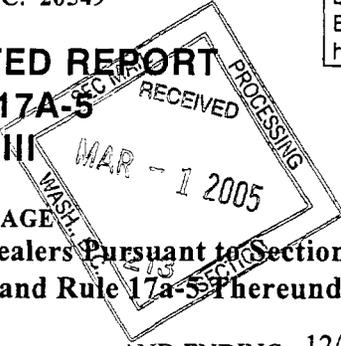
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**ANNUAL AUDITED REPORT
FORM X-17A-5
PART III**



SEC FILE NUMBER
8- 42152

FACING PAGE

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

REPORT FOR THE PERIOD BEGINNING 01/01/04 AND ENDING 12/31/04
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: LEK SECURITIES CORPORATION

OFFICIAL USE ONLY
FIRM I.D. NO.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)
140 BROADWAY

NEW YORK (City) (No. and Street) NY 10005 (State) (Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT
DANIEL M. HANUKA 212-509-5852
(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

KAUFMANN, GALLUCCI & GRUMER LLP

ONE BATTERY PARK PLAZA NEW YORK NY 10004
(Address) (City) (State) (Zip Code)

CHECK ONE:

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

PROCESSED

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FINANCIAL

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

SEC 1410 (06-02)

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Handwritten signature and date: 3-23

OATH OR AFFIRMATION

I, DANIEL M. HANUKA, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of LEK SECURITIES CORPORATION of DECEMBER 31, 20 04, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

[Handwritten Signature]

Signature

CFO

Title

[Handwritten Signature: Shih-Hsuan Chen]

Notary Public

SHIH-HSUAN CHEN
Notary Public, State of New York
No. 01CH6120060
Qualified in Queens County
Commission Expires December 13, 2008

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

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

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

**LEK SECURITIES CORPORATION
AND SUBSIDIARY**

**REPORT ON CONSOLIDATED
FINANCIAL STATEMENT**

AS OF DECEMBER 31, 2004

**LEK SECURITIES CORPORATION
AND SUBSIDIARY**

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KAUFMANN,
GALLUCCI &
GRUMER LLP

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Shareholders of Lek Securities Corporation and Subsidiary:

We have audited the accompanying consolidated statement of financial condition of Lek Securities Corporation and Subsidiary (the "Company") as of December 31, 2004 that you are filing pursuant to rule 17a-5 under the Securities Exchange Act of 1934. This financial statement is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America as established by the Auditing Standards Board of the American Institute of Certified Public Accountants. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement as well as 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.

In our opinion, the consolidated financial statement referred to above presents fairly, in all material respects, the financial position of Lek Securities Corporation and Subsidiary as of December 31, 2004 in conformity with accounting principles generally accepted in the United States of America.

February 11, 2005

Kaufmann Gallucci & Grumer LLP

**LEK SECURITIES CORPORATION
AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FINANCIAL CONDITION
DECEMBER 31, 2004**

ASSETS

Cash and cash equivalents	\$ 7,582,954
Cash segregated under federal and other regulations	9,095,470
Receivable from clearing organizations and other broker-dealers	1,818,821
Due from customers	11,210
Deposits with clearing organizations	2,026,592
Securities borrowed	2,769,620
Securities owned:	
Marketable, at market value	558,908
Not readily marketable, at estimated fair value	38,486
Loan to shareholder	64,491
Furniture, equipment and leasehold improvements, at cost, less accumulated depreciation and amortization of \$1,318,630	181,937
Prepaid expenses and other assets	<u>354,268</u>
 TOTAL ASSETS	 \$ <u>24,502,757</u>

LIABILITIES AND SHAREHOLDERS' EQUITY

Liabilities:	
Due to customers	\$ 11,715,264
Accounts payable and accrued expenses	2,627,426
Payable to clearing organizations and other broker-dealers	365,455
Notes payable	200,000
Income taxes payable	27,000
Securities sold, not yet purchased	8,240
TOTAL LIABILITIES	<u>14,943,385</u>
 Commitments	
Subordinated borrowings	<u>2,082,714</u>
 Shareholders' equity :	
Common stock, \$.10 par value; authorized 10,000 shares, 1,222.67 shares issued and outstanding	122
Additional paid-in capital	1,528,207
Retained earnings	<u>6,382,194</u>
	7,910,523
Less: treasury stock; 510 shares at cost	<u>(433,865)</u>
TOTAL SHAREHOLDERS' EQUITY	<u>7,476,658</u>
 TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	 \$ <u>24,502,757</u>

The accompanying notes are an integral part of this financial statement.

**LEK SECURITIES CORPORATION
AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENT
DECEMBER 31, 2004**

NOTE 1 - ORGANIZATION AND NATURE OF BUSINESS

Lek Securities Corporation (The "Company") was incorporated January 5, 1990 under the laws of the State of Delaware. The Company is a registered broker-dealer with the Securities and Exchange Commission and is a member of the New York Stock Exchange and other principal exchanges. The Company is also a self-clearing member of the Depository Trust and Clearing Corporation and the Options Clearing Corporation.

The Company is engaged in both providing order management and clearing services to institutions and professional traders.

Lek Securities Europe B.V., wholly owned foreign subsidiary, formed in 2001, is organized under the laws of The Netherlands. This subsidiary is awaiting approval by the regulatory authorities of that country to conduct business as a registered broker-dealer. At this time, operations have not commenced.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements include the accounts of Lek Securities Corporation and its wholly owned subsidiary, Lek Securities Europe B.V. All significant intercompany accounts and transactions have been eliminated. Assets and liabilities valued in foreign currencies are translated at year-end rates of exchange, while the income statement accounts for the subsidiary are translated at average rates of exchange for the year.

Cash and cash equivalents represent cash and highly liquid investments with maturity dates of three months or less from the date of acquisition. The Company maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits.

Securities transactions (and related commission revenue and expense) are recorded on a trade date basis.

Marketable securities are valued at market value, and securities not readily marketable are valued at fair value as determined by management with the resulting unrealized gains and losses reflected in the consolidated statement of comprehensive income.

Furniture, equipment and leasehold improvements are stated at cost less accumulated depreciation and amortization. Depreciation and amortization is computed on a straight-line basis over the estimated useful lives of the assets.

**LEK SECURITIES CORPORATION
AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENT
DECEMBER 31, 2004**

NOTE 2 - CONTINUED

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of December 31, 2004, and the reported amounts of revenues and expenses during the year then ended. Actual results could differ from those estimates.

NOTE 3- CASH SEGREGATED UNDER FEDERAL AND OTHER REGULATIONS

In accordance with the provisions of Rule 15c3-3 under the Securities Exchange Act of 1934, at December 31, 2004, cash required to be segregated under federal regulations reflects \$8,260,000 for the exclusive benefit of customers and \$835,470 that was segregated for proprietary accounts of introducing brokers. These amounts were sufficient at December 31, 2004, for the Company to meet its responsibility to segregate reserve funds.

NOTE 4 - RECEIVABLE FROM AND PAYABLE TO CLEARING ORGANIZATIONS AND OTHER BROKER - DEALERS

Amounts receivable from and payable to clearing organizations and other broker-dealers at December 31, 2004, consist of the following:

	Receivable	Payable
Securities failed-to-deliver/receive	\$ 637,634	\$ 28,800
Receivable from clearing organizations	310,925	-
Fees and commissions receivable/payable	<u>870,262</u>	<u>336,655</u>
Totals	<u>\$1,818,821</u>	<u>\$365,455</u>

NOTE 5 - SECURITIES BORROWED

Securities borrowed are financing arrangements recorded at the amount of cash collateral advanced. Securities borrowed transactions require the Company to deposit cash and other collateral with the lender. The Company monitors the market value of the securities borrowed on a daily basis, with additional collateral provided

**LEK SECURITIES CORPORATION
AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENT
DECEMBER 31, 2004**

NOTE 5 - CONTINUED

as necessary. At December 31, 2004, the Company has advanced cash under securities borrowed agreements of \$2,769,620.

NOTE 6 - LOAN TO SHAREHOLDER

The loan to shareholder is evidenced by a promissory note bearing 11% interest. The uncollateralized note matures on January 1, 2006.

NOTE 7 - INCOME TAXES

For income tax purposes, the shareholders have elected that the Company be treated as an "S" corporation under Subchapter S of the Internal Revenue Code and as a Small Business Corporation under New York State Corporate Franchise Tax Law. Accordingly, no provision has been made for Federal income taxes since the net income or loss of the Company is to be included in the tax returns of the individual shareholders. The provision for income taxes represents primarily state and local taxes for the year ended December 31, 2004.

NOTE 8 - SUBORDINATED BORROWINGS

At December 31, 2004, the Company had borrowings of \$2,082,714 from shareholders pursuant to written subordination agreements. The subordination agreements are subject to the rules and regulations of the Securities and Exchange Commission and as such are available in computing net capital (see Note 12) under the Securities and Exchange Commission's uniform net capital rule. The agreements mature on various dates through December 31, 2006, unless extended. The loans are interest bearing at a rate of 10% per annum. To the extent that such borrowings are required for the Company's continued compliance with the minimum net capital requirements, they may not be repaid.

At December 31, 2004, two notes amounting to \$200,000 were not considered available in computing net capital. This amount is reflected in the financial statements as notes payable. Subsequent to December 31, 2004, the Company applied for and obtained approval to renew these notes through 2008. Once the notes were extended the aggregate sum of \$2,282,714 were deemed to be subordinated borrowings that can be added to shareholder's equity for the purpose of computing net capital.

**LEK SECURITIES CORPORATION
AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENT
DECEMBER 31, 2004**

NOTE 9 - STOCK OPTION PLAN

In March 1999, the Company established a plan to grant stock options to employees allocating 10% ownership of the Company to the plan. The plan provides that the option price be determined by the Board of Directors at its discretion. The term of the option shall not be more than ten years from the date the option is granted. At December 31, 2004, the maximum number of options available under the plan is 65.27. At that date, 64 options had been granted and 46 were exercised. During 2004, the Company issued two shares in an amount equivalent to the exercised options and received \$18,855.

NOTE 10 - PROFIT SHARING PLAN

The Company has a qualified, noncontributory profit sharing retirement plan covering substantially all of its eligible employees. An employee becomes fully vested upon completion of five years of qualifying service. For 2004, the Company accrued \$236,300 as a contribution to the plan, which amount is reflected in the financial statements at December 31, 2004.

NOTE 11 - COMMITMENTS

The Company leases office space and three New York Stock Exchange seats under operating lease agreements expiring at various dates through September 30, 2009. The following are minimum annual lease payments for the periods ending December 31:

<u>Year-ended December 31</u>	<u>Minimum Lease Payments</u>
2005	\$ 465,845
2006	247,980
2007	223,240
2008	223,240
Thru September 2009	<u>167,430</u>
	<u>\$ 1,327,735</u>

NOTE 12 - NET CAPITAL REQUIREMENTS

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (SEC Rule 15c3-1). The Company has elected to compute net capital under the alternative provisions of the Rule, which requires that the Company maintain minimum net capital equal, as defined, equal to the greater of \$250,000 or

**LEK SECURITIES CORPORATION
AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENT
DECEMBER 31, 2004**

NOTE 12 - CONTINUED

2% of aggregate debit items arising from customer transactions, as defined in SEC Rule 15c3-3. Net capital and aggregate debit items change from day to day. At December 31, 2004, the Company had net capital of \$8,541,005 which was \$8,291,005 in excess of its required net capital of \$250,000.

NOTE 13 - FINANCIAL INSTRUMENTS WITH OFF-BALANCE-SHEET RISK

In the normal course of business, the Company engages in activities involving the execution and settlement of various securities transactions. These activities may expose the Company to off-balance-sheet risk in the event that the other party to the transaction is unable to fulfill its contractual obligations.

Customer securities transactions are recorded on a settlement date basis, which is generally three business days after the trade date. The Company is, therefore, exposed to risk of loss on these transactions in the event of the customer's or broker's inability to meet the terms of their contracts, in which case the Company may have to purchase or sell financial instruments at prevailing market prices. The Company has established procedures to reduce this risk by delivering securities upon payment for certain types of trades.

As customers write option contracts or sell securities short, the Company may incur losses in the event customers do not fulfill their obligations and the collateral in the customer's account is not sufficient to fully cover losses which customers may incur from these strategies. The Company seeks to control the risks associated with its customers' activities, including the customer accounts of its correspondents for which it provides clearing services, by requiring customers to maintain margin collateral in compliance with various regulatory and internal guidelines. The required margin levels are monitored daily and, pursuant to such guidelines, customers are required to deposit additional collateral when necessary or to reduce positions when acceptable.