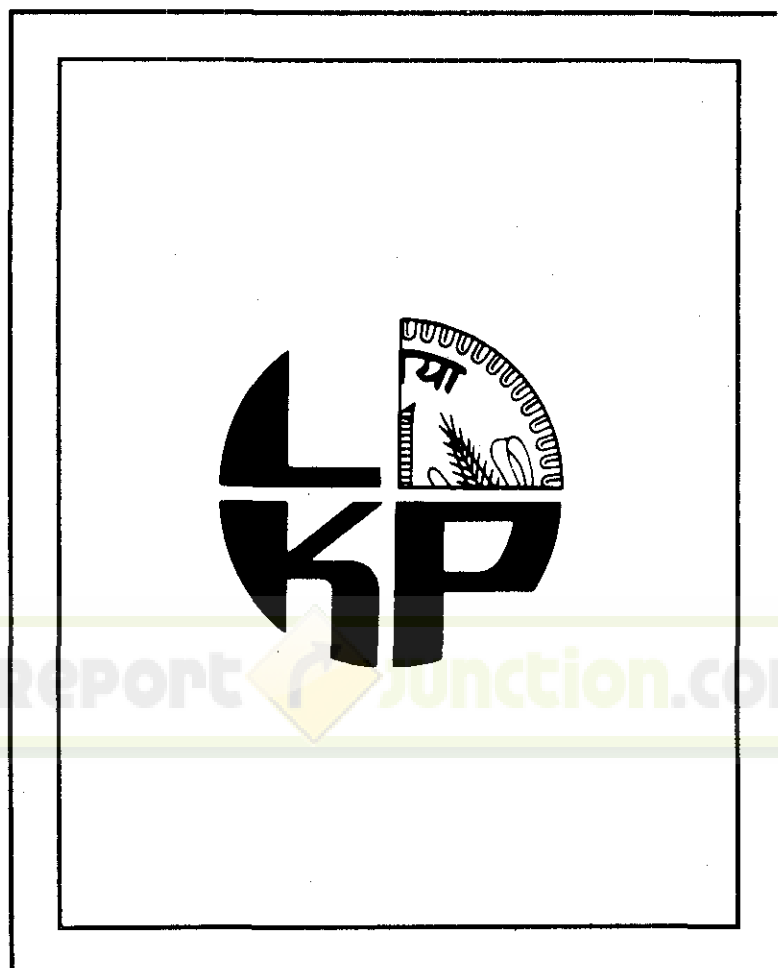


LKP Merchant Financing Ltd.



ANNUAL REPORT 1998-99

LKP MERCHANT FINANCING LTD.

Board of Directors :

Mr. M.R. Shroff	<i>Chairman</i>
Mr. M.V. Doshi	<i>Vice-Chairman</i>
Mr. C.P. Mehta	
Mr. V.D. Desai	
Mr. P.C. Mehta	<i>Executive Director</i>

Auditors :

Ford, Rhodes, Parks & Co.,
Maharashtra Bank Bldg.,
45/47, Bombay Samachar Marg,
Mumbai - 400 023.

Bankers :

Global Trust Bank Ltd.,
The Federal Bank Ltd.,
Bank of Baroda
Allahabad Bank
State Bank of Travancore

*Annual General meeting on 29th June,
1999 at 10.30 a.m. at M.C. Ghia Hall,
Hargovindas Building, 18/20, Kaikhushru
Dubash Marg, Mumbai - 400 001.*

Registered Office :

203, Embassy Centre,
Nariman Point.
Mumbai - 400 021.



NOTICE

NOTICE is hereby given that the 15th Annual General Meeting of the Members of LKP Merchant Financing Limited will be held at M.C. Ghia Hall, Bhogilal Hargovindas Building, 18/20, Kaikhushru Dubash Marg, Mumbai 400 001 on Tuesday, the 29th June, 1999 at 10.30 a.m. to transact the following business:

Ordinary Business :

1. To consider and adopt the audited Balance Sheet and Profit and Loss Account for the year ended 31st March, 1999 & the report of Directors & the Auditors thereon.
2. To appoint a Director in place of Mr. M. R. Shroff, who retires by rotation and, being eligible, offers himself for reappointment.
3. To appoint a Director in place of Mr. M. V. Doshi, who retires by rotation and, being eligible, offers himself for reappointment.
4. To appoint auditors and to fix their remuneration.

Special Business :

5. Revision in the emoluments of Mr. Parag C. Mehta, Executive Director for residue term :

To consider and, if thought fit, to pass, with or without modifications the following as an Ordinary Resolution :

"RESOLVED THAT pursuant to the provisions of section 310 of the Companies Act, 1956 and subject to the consent of the members in the general meeting, the remuneration of Mr. Parag C. Mehta, Executive Director of the company be increased from Rs. 15,000/- per month to Rs. 25,000/- per month with effect from 1st April, 1999 for the unexpired residue period of his term and other terms and conditions and perquisites remaining unchanged."

6. Dematerialisation of Securities

To consider and, if thought fit, to pass, with or without modifications the following as a Special Resolution :-

"RESOLVED THAT pursuant to Section 31 and all other applicable provisions of the Companies Act, 1956 including any statutory modifications or re-enactment thereof for the time being in force, the Articles of Association of the Company be and are hereby altered in the manner and to the extent as follows :-

- (A) For the the interpretation of Member in the existing Article (2), the definition of "Member" be substituted as :

"Member means the duly registered holder from time to time of the shares of the company and includes the subscribers to the Memorandum of the Company and every person whose name is entered as beneficial owner in the records of the Depository."

- (B) For the interpretation in the existing Article (2), the following definitions be added as :

"Beneficial Owner" means a person whose name is recorded as such with a depository;

"Depository" means a company formed and registered under the Depositories Act, 1996 and which has been

granted a certificate of registration to act as a depository by Securities and Exchange Board of India Act, 1992;

"Depositories Act" means the Depositories Act, 1996 and shall include any statutory modification(s) or re-enactment thereof for the time being in force;

"SEBI" means the Securities And Exchange Board of India;

"Security" means such security as may be specified by SEBI from time to time.

- (C) Insert the following Heading and Articles as Articles 22A after Article 22 :

DEMATERIALISATION OF SECURITIES

- 22A (1) Notwithstanding anything contained in these Articles, the company shall be entitled to dematerialise its securities and to offer securities in a dematerialised form pursuant to the Depositories Act, and the rules framed thereunder.

OPTIONS FOR INVESTORS

- 22A (2) Every person subscribing to securities offered by the company shall have the option to receive certificates or to hold the securities with a Depository. Such a person who is the beneficial owner of the securities can at any time opt out of a Depository, if permitted by the Law, in respect of any security in the manner provided by the Depositories Act, and the company shall, in the manner and within the time prescribed, issue to the beneficial owner the required certificates of the securities.
- 22A (3) If a person opts to hold his security with a Depository, the company shall intimate such depository the details of allotment of the security, and on receipt of the information, the depository shall enter in its record the name of the allottee as the beneficial owner of the security.

SECURITIES IN DEPOSITORY TO BE IN FUNGIBLE FORM

- 22A (4) All securities held by a depository shall be dematerialised and be in fungible form. Nothing contained in section 153, 153A, 153B, 187B, 187C and 372A of the Act shall apply to a depository in respect of the securities held by it on behalf of the beneficial owners.

DISTINCTIVE NUMBERS OF SECURITIES HELD IN A DEPOSITORY

- 22A (5) Nothing contained in the Act or these Articles regarding the necessity of having distinctive numbers for securities issued by the company shall apply to securities held with depository.

RIGHTS OF DEPOSITORY AND BENEFICIAL OWNERS

- 22A (6) Notwithstanding anything to the contrary contained in the Act or these Articles, a depository shall be



deemed to be the registered owner for the purposes of effecting transfer of ownership of security on behalf of the beneficial owner.

- 22A (7) Save as otherwise provided in 22A (6) above, the depository as the registered owner of the securities shall not have any voting rights or any other rights in respect of the securities held by it.
- 22A (8) Every person holding securities of the company and whose name is entered in the records of the depository shall be deemed to be a member of the company. The beneficial owner of securities shall be entitled to all the rights and benefits and be subject to all the liabilities in respect of his securities which are held by a depository.

SERVICE OF DOCUMENTS

- 22A (9) Notwithstanding anything contained in the Act or these Articles, where securities are held in a depository, the records of the beneficial ownership may be served by such depository on the company by means of electronic mode or by delivery of floppies or disc.

TRANSFER OF SECURITIES

- 22A (10) Nothing contained in section 108 of the Act or these Articles shall apply to a transfer of securities effected by a transferor and transferee both of whom are entitled as beneficial owners in the records of a depository.

ALLOTMENT OF SECURITIES DEALT WITH IN A DEPOSITORY

- 22A (11) Notwithstanding anything contained in the Act or these Articles, where securities are dealt with by a depository, the company shall intimate the details thereof to the depository immediately on allotment of such securities.

REGISTER AND INDEX OF MEMBERS

- 22A (12) The register and index of beneficial owners maintained by a depository under the Depository Act shall be deemed to be the Register and Index of Members of security holders for the purpose of these Articles.

"RESOLVED FURTHER THAT subject to the approval of the shareholders of the company, the consent of the Board of Directors be and is hereby accorded to register the company with National Securities Depository Limited (NSDL) as the depository for the purpose of availing the facility of dematerialisation/rematerialisation of the securities of the company and to do all such matters and things as may be required and permissible under the provisions of the law from time to time.

"RESOLVED FURTHER THAT the Board's Share Transfer Committee be and is hereby empowered to do all such acts, deeds and things including the appointment and remuneration of a Depository Transfer Agent, delegation of any of its powers to the executives of the company and all other

- matters as may be required in this matter from time to time.

7. Power of Company to purchase its own securities

To consider and, if thought fit, to pass, with or without modification the following as a Special Resolution :

"RESOLVED THAT a new Article numbered as Article No. 7A be and it is hereby included in the Articles of Association of the Company which shall read as under :

Article 7A :

The Company shall have power, subject to and in accordance with all applicable provisions of the Act, to purchase any of its own shares or other securities whether or not redeemable, from out of the sources as permissible under the Law.

8. Proposed Delisting of Equity Shares from Non-Regional Stock Exchanges at Ahmedabad and Chennai

To consider and, if thought fit, to pass, with or without modification the following as a Special Resolution :

"RESOLVED THAT pursuant to byelaws/listing agreement(s) with the Stock Exchanges at Ahmedabad and Chennai and SEBI and other applicable guidelines and regulations and subject to applicable approvals and procedures, the company be and is hereby authorised to delist its equity shares from the stock exchanges at Ahmedabad and Chennai being Non-Regional Stock Exchanges where the equity shares of the company are listed and that the Board of Directors of the company or any other person specifically authorised by the Board in this regard be and is hereby authorised to sign, deliver and pursue and otherwise deal with all necessary applications and / or documents and to do such other act, deed and things as may be necessary in this regards."

NOTES :

- A Member, entitled to attend and vote at the meeting is entitled to appoint a proxy instead of himself, to attend and to vote on a poll and the proxy need not be a member.
- Proxy, in order to be effective, shall be deposited at any time at the Registered Office of the Company, but not less than 48 hours, before the commencement of the Meeting.
- The Register of Members and Share Transfer books will remain closed from 21st June, 1999 to 29th June, 1999 (both days inclusive).
- The Register of Members of the Company will be closed from Monday 21st June, 1999 to Tuesday, 29th June, 1999 (both days inclusive) for the purpose of ascertaining the members in the States of Gujarat, Tamilnadu and Pondicherry, who will become eligible for exit opportunity in view of proposed delisting of Equity Shares from the Non-Regional Stock Exchanges of Ahmedabad and Chennai.
- Members are requested to
 - quote their Folio Numbers in all correspondence with the Company's Registrars and Transfer Agents, IIT Corporate Services Ltd., 61 Bombay Samachar Marg, Mumbai - 400 001.
 - Notify to the Registrars and Transfer Agents on or before 29th June, 1999 change in their address and their mandates, if any.

By Order of the Board of Directors

Mumbai,
May 10, 1999

M.V. DOSHI
Vice-Chairman



ANNEXURE TO THE NOTICE

Explanatory statement pursuant to Section 173(2) of the Companies Act, 1956 :**Item No. 5**

Members are aware that Shri Parag C. Mehta, a Director was appointed as an Additional Director in the meeting of the Board of Directors held on 10th April, 1995 and from date of Eleventh Annual General Meeting was appointed as an Executive Director of the Company at a remuneration of Rs. 15,000/- per month w.e.f. 10th April, 1995 for 5 years term.

A decision to increase the remuneration pursuant to the provisions of section 310 of the Companies Act, 1956 and subject to the consent of the members in the general meeting was taken by the Board of Directors at a meeting held on 10th May, 1999. The remuneration of Mr. Parag C. Mehta, Executive Director of the company was increased from Rs. 15,000/- per month to Rs. 25,000/- per month with effect from 1st April, 1999. It was decided that revision in the remuneration of Mr. Parag C. Mehta will continue till the end of his five year tenure which expires on 9th April, 2000. All other terms and conditions relating to his appointment and remuneration received by him however would remain unchanged.

None of the Directors of the Company except Mr. Parag C. Mehta and his father Mr. C. P. Mehta are concerned or interested in the said resolution.

Item No. 6

With the enactment of the Depositories Act, 1956 and amendments to certain provision of the Companies Act, 1956, a new article 22A is proposed to be introduced with a view to facilitating operations of the Depository System. In view of the dematerialisation of securities, the consequent changes are required to be incorporated in the Articles of Association of the Company in terms of the resolution at item no. 6 as to be in line with the amended provisions of the Companies Act, 1956 read with the provisions of the Depositories Act, 1996. The Special Resolution at the item no. 6 is therefore pursuant to section 31 of the Companies Act, 1956. The Directors recommend the special resolution for acceptance by the members.

None of the Directors of the Company are concerned or interested in the said resolution.

Item No. 7

The Companies (Amendment) Ordinance, 1999 (w.e.f. 7th January, 1999) has inserted new sections 77A, 77AA and 77B after section 77 of the Principal Act in respect of company's power to purchase its own securities. Under the said provisions, a company may buy-back its own shares or other specified securities out of its free reserves or out of securities premium account or out of the proceeds of any shares or other specified securities. Further no company shall buy-back its shares or other securities unless the buy-back is authorised by its Articles of Association and a special

resolution has been passed in general meeting of the company authorising the buy-back and the buy-back of equity shares in any financial year shall not exceed twenty-five per cent of its paid up equity share capital in that financial year.

None of the Directors of the company is concerned or interested in the said resolution.

Item No. 8

The Board of Directors at their meeting held on 10th May, 1999 have decided to apply to Non-Regional Stock Exchanges at Ahmedabad and Chennai for delisting of the company's Equity Shares, subject to the shareholders consent by a special resolution. The Company's equity shares are listed at Mumbai, Ahmedabad and Chennai Stock Exchanges.

The Board of Directors of the company have considered the following facts for satisfying themselves that it is in the interest of the company to seek delisting of its equity shares from the Non-Regional Stock Exchanges at Ahmedabad and Chennai :

1. The Equity Shares of the company are infrequently traded on the stock exchanges at Ahmedabad and Chennai. There is a very low volume of shares traded on these stock exchanges.
2. The listing fees payable to the Non-Regional Stock Exchanges aggregating to Rs. 41,000/- per annum is not justifiable by the number of transactions and/or number of shares traded on these Non-Regional Stock Exchanges. The Board has taken active steps to reduce and control all costs incurred by your company.
3. The number of shares held by the members in the area covered by the regional stock exchanges at Ahmedabad and Chennai is only 3.21% of the total issued and paid up equity capital of the company. Thus, over 96% of the equity capital is held by the members who do not reside in the regions covered by these Non-Regional Stock Exchanges. The consequential effect of this geographical spread of the shareholders is infrequent and negligible trading in the equity shares of the company which does not justify the quantum of listing fees payable.

The company will ensure that in accordance with the decisions of the SEBI communicated to stock exchanges vide letter dated 29th April, 1998, an exit opportunity will be provided to the members whose address as per the Register of Members is in the states of Gujarat, Tamilnadu and Pondicherry at a price which will be in accordance with the guidelines stipulated by SEBI. Accordingly, after the consent of the shareholders through a special resolution, the company will make applications to Non-Regional Stock Exchanges at Ahmedabad and Chennai for delisting of its Equity Shares.

None of the Directors of the company is concerned or interested in the said resolution.

By Order of the Board of Directors

Mumbai,
10th May, 1999

M.V. Doshi
Vice-Chairman



Directors' Report

1. The Directors present the Fifteenth Annual Report and Audited Accounts of the Company for the year ended March 31, 1999.

	1998-99	1997-98
2. FINANCIAL RESULTS	(Rs. in lacs)	(Rs. in lacs)
Profit/(Loss) subject to Depreciation & Tax	453.84	(81.03)
Depreciation	364.50	511.06
Provision for Non Performing Assets	31.80	24.84
Provision for Diminution in investments	—	68.25
Profit/(Loss) before tax	57.54	(685.18)
Provision for taxation for earlier years	189.59	—
Profit/(Loss) after tax	(132.05)	(685.18)
Profit/(Loss) brought forward from previous year	(403.76)	11.42
Transfer from General Reserves	—	270.00
Amount available for appropriation	(535.81)	(403.76)

3. DIVIDEND

In view of the losses for the year ended 31st March, 1999 the Board of Directors have not recommended any dividend for the year.

4. PERFORMANCE REVIEW

Our working resulted in nominal profits. The financial services industry had yet another bad year. The problems have been compounded by the very depressed state of the stock market and the total inactivity in the primary market. Hence apart from our operations being confined to a very low level, disinvestment of our portfolio of shares was also constrained. Further, recoveries were protracted and in several cases had to be rescheduled. In many cases legal remedies had to be resorted to in view of severe liquidity constraints faced by the borrowers. All possible efforts are being made to recover loans and advances as expeditiously as possible.

In an otherwise difficult environment the Money Changing Division has fared well and shows promise for growth. During the year under review, your company started Money Changing operations at five more branches and further will cover three new branches. Your company's Money Changing network now spans across 22 branches located at twenty leading cities in the country and has plans to commence operations at a few more cities during the current financial year for which Reserve Bank of India has issued the necessary licences.

The Securities & Exchange Board of India (SEBI) amended

the (Merchant Bankers) Regulations, 1992 prohibiting Merchant Bankers from carrying on any business which is not related to the securities market. Since your Company is also in the business of Money Changing, which is not related to the securities market it has transferred the Certificate of Registration (Category I) issued by SEBI under the above referred Regulations. Consequently, activities of the Merchant Banking Division have been discontinued by your company from 1st July, 1998.

In the current year your Company's operations are mainly in the money changing business. Your Company is exploring opportunities for new businesses in the financial services markets so as to derive synergistic growth for the company.

The Company has initiated measures for Y2k compliance in all its computer systems and expects to complete the work by September, 1999. There are no major financial implications on company's performance on account of this.

5. CERTIFICATE FOR ISO 9002

Your Company has earned the distinction to be the first company in the Money Changing business to be awarded the prestigious ISO-9002 Certificate in September, 1998 by KPMG Quality Registrar for the money changing operations at Mumbai, New Delhi, Chennai and Pune. It is proposed to extend the quality systems to become applicable at more branches during this year.

6. DEMATERIALISATION OF SHARES

Your Company has taken effective steps to admit its shares to the depository system of the National Securities Depository Ltd. (NSDL). SEBI has approved the company's scrip to be traded in electronic form. Hence all members of your Company will have the option of holding their shares in a dematerialised form.

7. DELISTING

Your company's equity shares are listed for trading on the Stock Exchanges at Mumbai, Ahmedabad and Chennai. Less than 4% of your company's shares are held by shareholders resident in the states covered by the Ahmedabad and Chennai Stock Exchanges. As there is negligent trading of the shares of your company on the Stock Exchanges at Ahmedabad and Chennai, the Board is actively considering the delisting of shares from these Stock Exchanges. A Special Resolution to this effect will be placed for members approval at the forthcoming Annual General Meeting, after which applications will be submitted to these two Stock Exchanges. The Company's shares will continue to be listed on the Stock Exchange at Mumbai.



8. PUBLIC DEPOSITS

The company has no public deposits as of date and will not accept any further deposits without prior approval of the Statutory Authorities concerned.

9. STATUTORY DISCLOSURE

The particulars required under the provisions of Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, forms part of this report. However, as per Section 219(1)(b) (iv) of the Companies Act, 1956, the Report and Accounts is being sent to all shareholders of the Company excluding the above Statement. Any shareholder interested in obtaining a copy of the said Statement may write to the Company Secretary at the Registered Office of the Company.

The provisions of Section 217(1)(c) of the Companies Act relating to conservation of energy and technology absorption do not apply to your company.

10. DIRECTORS

Mr. M. V. Doshi whose term as Vice Chairman expired on 8th November, 1998, was reappointed for a further period of five years at the Board Meeting held on 30th October, 1998.

Mr. M. R. Shroff and Mr. M. V. Doshi retire by rotation at the forthcoming Annual General Meeting and being eligible offer themselves for reappointment.

11. AUDITORS' REPORT

The Auditors' comments in their report dated 10th May, 1999, are dealt with by Note No. 3(c), 3(d) of the report which are self explanatory.

12. The Auditors, M/s. Ford, Rhodes, Parks & Co., Chartered Accountants, Mumbai, retire at the conclusion of the forthcoming Annual General Meeting and are eligible for reappointment.

13. ACKNOWLEDGEMENT

Your Directors would like to place on record their sincere appreciation to the Reserve Bank of India, SEBI, Bankers, Shareholders and employees for their cooperation and support.

For and on behalf of the Board of Directors

Mumbai
Date : 10th May, 1999

M. R. SHROFF
Chairman

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Auditors' Report

We have audited the attached Balance Sheet of LKP Merchant Financing Limited as at 31st March, 1999 and also the Profit & Loss Account of the Company for the year ended on that date annexed thereto and report that:

1. 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.
2. In our opinion proper books of accounts as required by law have been kept by the company so far as appears from our examination of the books.
3. The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account.
4. In our opinion, the Balance Sheet and the Profit & Loss Account dealt with by the report are in compliance with the accounting standards referred to in section 211 (3C) of the Companies Act, 1956 and are in agreement with the books of account.
5. With respect to Unsecured Loans of Rs. 902.53 lakhs outstanding for a long period where there are no repayments/ interest recovery as explained in Note No. 3(c), we are unable to formulate an opinion on the recoverability of the amounts due.
6. Attention is drawn to Note No. 3(d) regarding non-confirmation of balances of loans and advances and deposits.

Subject to matters stated in paragraph 5 above, in our opinion and to the best of our information and according to the explanations given to us the accounts read together with notes thereon, give the information required and give a true and fair view :

- a) in the case of the Balance Sheet-of the state of affairs of the Company as at 31st March 1999.
- and
- b) in the case of the Profit and Loss Account- of the Loss for the year ended on that date.

As required by the Manufacturing and Other Companies (Auditors Report) Order, 1988, and on the basis of such checks as we considered appropriate, we further state on the matters specified in paragraphs 4 and 5 of the said Order as under :

1. The Company has maintained proper records to show full particulars including quantitative details and situation of fixed assets. The assets on lease have not been physically verified by the management during the year as several cases are pending in various courts for recovery of lease rentals and/or taking possession of leased assets. Letter requesting certificates of possession of assets on lease have been forwarded to all lessees during the year but none have confirmed as of the date of reporting. All other Fixed Assets have been physically verified by the Management during the

year. No discrepancies have been noticed on such verification.

2. None of the fixed assets have been revalued during the year.
3. (i) The company does not have any stock of raw materials, stores, spare parts, finished goods and therefore clauses (iii), (iv), (v), (vi), (xii) and (xiv) of paragraph 4(A) are not applicable. However the Company has stock on hand comprising of shares and other securities, foreign currencies of full fledged money changing division and stocks on hire. Physical verification has been conducted by the Management at reasonable intervals in respect of stocks on hire and foreign currencies. Shares and securities have been physically verified at the year end.
- (ii) In our opinion the procedure of physical verification of above stocks followed by the management are reasonable and adequate considering the size of the Company and the nature of its business.
- (iii) There are no discrepancies noticed on physical verification.
- (iv) In our opinion the valuation of above mentioned stocks are fair and proper in accordance with the normally accepted accounting principles and is on the same basis as in the preceeding years.
4. During the year the company has taken loan from companies listed in the Register maintained under Section 301 of the Companies Act, 1956. The loan outstanding as at 31.03.98 has been settled during the year.
5. The Company has granted unsecured loans to companies, listed in the register maintained under Section 301 of the Companies Act, 1956. The rate of interest wherever applicable and the other terms and conditions are prima facie not prejudicial to the interest of the Company.
6. The parties/employees to whom loans or advances in the nature of loans are given by the company have been repaying the principal amounts and interest as stipulated and are also regular in payment of the interest wherever applicable except loans of Rs. 902.53 lakhs outstanding for a long period where there are no repayments/interest recovery as explained in note no. 3(c).
7. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the company and the nature of its business with regard to purchase of equipments and other assets.
8. The Company has no transactions of purchase of goods and materials and sale of goods, materials and services during the year.
9. The Company has not accepted deposits from the public


LKP Merchant Financing Ltd.

during the year and the provisions of Section 58A of the Companies Act, 1956 and the rules framed thereunder are not applicable.

10. The Company's activities do not generate any by-products or scrap.
11. In our opinion the company has an internal audit system commensurate with its size and nature of its business.
12. As per the records of the Company the Provident Fund and ESIS dues have been regularly deposited with the appropriate authorities during the year.
13. At the last day of the financial year, according to the books and records examined by us and the information and explanations given to us, there were no undisputed amounts payable in respect of income tax, wealth tax, sales tax, customs duty and excise duty which were due for more than six months from the date they became payable.
14. During the course of our examination of the books of account carried out in accordance with the generally accepted auditing practices, we have not come across any personal expenses which have been charged to Profit and Loss Account, nor have we been informed of any such case by the management.
15. The service activities of the Company are such that the question of recording receipts, issues and consumption of materials and stores and allocation of materials and man-hours consumed to the relative jobs does not arise. Conse-

quently, the authorisation and control on the issue of stores and allocation of stores and labour to jobs is not applicable.

16. In our opinion, adequate documents and records are maintained by the Company for loans and advances granted on the basis of security by way of pledge of shares and debentures and similar other securities.
17. We are informed that the provisions of any special statutes applicable to chit funds, nidhi or mutual benefit society, do not apply to the company.
18. The Company has maintained proper records of transactions and contracts in respect of trading in shares, debentures and other securities and that timely entries have been made therein. All shares, debentures and other securities have been held by the Company in its own name.
19. As per the information and explanations given to us and taking into consideration the nature of the business of the company, Clauses (xvi) & (xx) of paragraph 4(A) and Clauses (ii) & (iv) of the paragraph 4(B) of the Manufacturing and Other Companies (Auditor's Report) Order, 1988 are not applicable.

For **FORD, RHODES, PARKS & CO.**
Chartered Accountants

Mumbai
Date : 10th May 1999

A.D.SHENOY
Partner

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LKP Merchant Financing Ltd.
BALANCE SHEET AS AT 31ST MARCH, 1999

	Schedule	Rs. in Lacs	Rs. in Lacs	As at 31-3-98 Rs. in Lacs
I. SOURCES OF FUNDS :				
1. Shareholders' Funds				
a. Share Capital	1	1,528.23		1,528.22
b. Reserves and Surplus	2	2,557.17		2,557.16
			4,085.40	4,085.38
2. Loan Funds				
a. Secured Loans	3	5,515.39		3,302.30
b. Unsecured Loans	4	785.95		1,253.58
			6,301.34	4,555.88
TOTAL			10,386.74	8,641.26
II. APPLICATION OF FUNDS :				
1. Fixed Assets	5			
a. Gross Block		4,088.35		3,971.33
b. Less : Depreciation		2,849.06		2,483.97
c. Net Block			1,239.29	1,487.36
d. Capital Work-in-Progress			287.23	239.58
2. Investments	6		1,119.02	1,216.82
3. Current Assets, Loans & Advances				
a. Stock on hand	7	892.82		712.50
b. Sundry Debtors	8	2,568.31		1,409.76
c. Cash & Bank Balances	9	769.89		396.29
d. Loans & Advances	10	4,434.04		4,140.55
		8,665.06		6,659.10
Less : Current Liabilities and Provisions				
a. Liabilities	11	1,546.69		1,431.52
b. Provisions	12	7.20		6.26
		1,553.88		1,437.78
Net Current Assets			7,111.18	5,221.32
4. Miscellaneous Expenditure	13		94.22	72.42
5. Profit & Loss Account-Debit Balance			535.80	403.76
TOTAL			10,386.74	8,641.26
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SCHEDULES 1 TO 19 ANNEXED HERETO FORM PART OF				
THE BALANCE SHEET AND PROFIT & LOSS ACCOUNT				

As per our Report attached.

For FORD, RHODES, PARKS & CO.
Chartered Accountants

A.D. Shenoy
Partner

Mumbai

Dated : 10th May, 1999.

Chairman

Vice-Chairman

Director

Executive Director

M.R. Shroff
M.V. Doshi
C.P. Mehta
V.D. Desai
P.C. Mehta

Mumbai

Dated : 10th May, 1999.