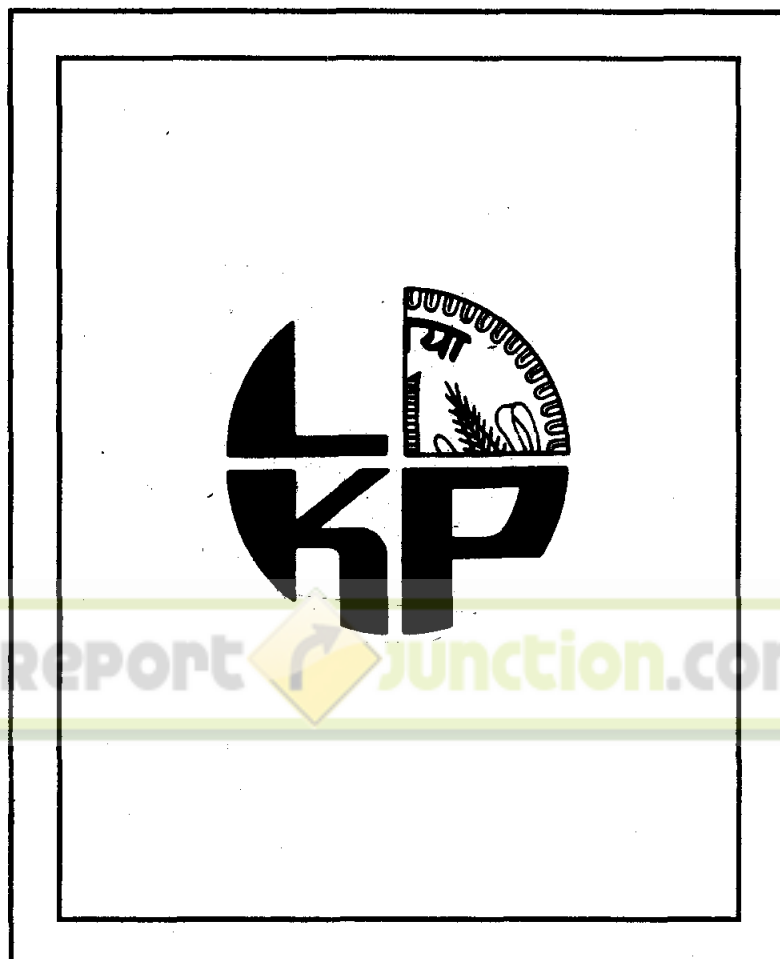


LKP Merchant Financing Ltd.



ANNUAL REPORT 2000-2001



LKP Merchant Financing Ltd.

LKP MERCHANT FINANCING LTD.

Board of Directors :

Mr. M. V. Doshi	<i>Executive Chairman</i>
Mr. M. S. Bhise	<i>Director</i>
Mr. V. N. Suchanti	<i>Director</i>

Mr. K. B. Baxi *Company Secretary*

Auditors :

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

Registered Office :

203, Embassy Centre,
Nariman Point,
Mumbai - 400 021.
Tel : 287 4785/287 4786
Fax : 287 4787

Registrar & Shares Transfer Agents :

IIT Corporate Services Limited,
Protoprima Chambers, 2nd Floor,
Suren Road,
Near L & T Welfare Centre,
Andheri (East),
Mumbai- 400 093
Tel : 8306790/91



*Annual General meeting on 17th September, 2001 at
10.00 a. m. at M.C. Ghia Hall, Hargovindas Building,
1870, Kaikhushru Dubash Marg, Mumbai - 400 001.*



LKP Merchant Financing Ltd.

NOTICE

NOTICE is hereby given that the Seventeenth 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 Monday, 17th September, 2001 at 10.00 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, 2001 & the Report of Directors and Auditors thereon.
2. To appoint a Director in the place of Mr. M. V. Doshi, who retires by rotation and, being eligible, offers himself for reappointment.
3. To appoint auditors and to fix their remuneration.

Special Business :

4. To consider and if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution:

"RESOLVED THAT Mr. Milan S. Bhise, a Director who was appointed as an Additional Director in the meeting of the Board of Directors held on 26th July, 2001 and who holds office as such up to the date of Seventeenth Annual General Meeting and in respect of whom notices under section 257 of the Companies Act, 1956 have been received from some members signifying their intention to propose Mr. Milan S. Bhise as a candidate for the office of Director of the company, be and is hereby appointed as a Director of the Company."

5. To consider and if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution :

"RESOLVED THAT Mr. Vineet N. Suchanti, a Director who was appointed as an Additional Director in the meeting of the Board of Directors held on 26th July, 2001 and who holds office as such up to the date of Seventeenth Annual General Meeting and in respect of whom notices under section 257 of the Companies Act, 1956 have been received from some members signifying their intention to propose Mr. Vineet N. Suchanti, as a candidate for the office of Director of the company, be and is hereby appointed as a Director of the Company."

6. Appointment of Mr. M. V. Doshi as Executive Chairman of the company

To consider and if thought fit, to pass, with or without modification(s), the following resolution as a Special Resolution.

"RESOLVED THAT pursuant to the provisions of sections 198, 269, 309, 310 read with Schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956

and subject to other requisite approvals, the consent of the Company be and is hereby accorded to the appointment of Mr. M. V. Doshi as Executive Chairman of the Company for a period of five years with effect from 26th July 2001 on the terms and conditions as set out in the Draft Agreement dated 26th July, 2001 to be entered into by the company with Mr. M. V. Doshi and placed before the meeting for approval which Agreement is hereby specifically sanctioned with liberty to alter and vary the terms and conditions of the said appointment and/or remuneration so as not to exceed the limits specified in schedule XIII to the Companies Act, 1956 including any statutory modification or re-enactment thereof, for the time being in force or any amendments, and/or modifications that may hereafter be made thereto by the Central Government in that behalf from time to time, or any amendments thereto as may be agreed to between the Board and Mr. M.V. Doshi."

7. Transfer of Money Changing Business to Wholly Owned Subsidiary

To consider and, if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution :-

"RESOLVED THAT subject to the necessary consents, approvals and permission being obtained from appropriate authorities and/or any other parties to the extent applicable or necessary, consent of the company be and is hereby given pursuant to Section 293 (1) (a) of the Companies Act, 1956 to the transfer of the Company's Money Changing business to LKP Foreign Exchange Bureaux Ltd. (to be named "LKP Forex Ltd.") an existing wholly owned subsidiary of the Company at such consideration which may be discharged in any manner and with effect from such date as the Board of Directors of the Company may in its discretion think fit, and that the Board of Directors of the Company be and are hereby authorised to complete the transfer of the said business with such modifications as may be required by any of the abovementioned authorities and/or any other parties or which it may deem to be in the interest of the company and to do all such acts, deeds, matters and things as may be deemed necessary or expedient in the interest of the Company".

8. Amendment to Other Object Clause

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

"RESOLVED THAT pursuant to section 17 and other applicable provisions, if any, of the Companies Act, 1956, clause III - C Other Objects of the Memorandum of Association of the company be and is hereby altered by adding, the following new clauses as numbered 43 and 44.


LKP Merchant Financing Ltd.

- 43 To carry on the business of retail outlets refreshment like, Cafe House, Restaurant, Caravan Sites, Motel, Holiday Camp, Tavern, Beer House, Refreshment Room and licensed merchants for aerated mineral and artificial waters and other drinks, caterers.
44. To buy, process, grade, pack, store and sell food, vegetables, fruits and other agricultural produce, eggs, and dairy products.
9. Commencement of business and activities under or pursuant to new object clause
- To consider and, if thought fit, to pass with or without modification (s), the following resolution as a Special Resolution :-
- "RESOLVED THAT pursuant to section 149 (2A) and other applicable provision of the Companies Act, 1956 consent of the company be and is hereby accorded to the Board of Directors for commencing the business and activities under or pursuant to the new clause 43 and 44 of Other Objects of the Memorandum of Association of the company from time to time as may be determined and appropriate or advisable from time to time by the Board of Directors in that behalf.
- 10 Amendment to Articles of Association for Company Management
- To consider and, if thought fit, to pass with or without modifications(s), the following resolution as a Special Resolution :-
- "RESOLVED THAT pursuant to section 31 and other applicable provisions, if any, of the Companies Act, 1956 and the provisions of other statutes as applicable, the Articles of Association of the Company be and are hereby altered as under :

After Article 109 (d), new sub-clauses from 109 (e) to 109 (g) be inserted as under"

Articles

- 109(e)** The Board may also opt to appoint and re-appoint President and Vice President as Managerial Persons for the company management and he/they shall be vested with substantial powers of managing the different Divisions of the company. The appointment shall be construed as a Manager or Managers. The management functions entrusted to President and Vice President by the Board will be subject to the superintendence, control and directions of the Board.
- 109(f)** The Board may clearly define their duties and powers as it may think fit and with such restrictions as it thinks expedient and may from time to time revoke, withdraw, alter and vary all or any of such powers.
- 109(g)** The remuneration of President and Vice President shall be such as may from time to time be fixed by the Board subject to the provisions of the Act.

11. Ratification of Authority exercised by Board of Director towards giving guarantee to Global Trust Bank Limited in connection with renewal of credit facility given to LKP Shares & Securities Limited

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

" RESOLVED THAT authority exercised by Board of Directors pursuant to the provisions of section 372A(1) (b) of the Companies Act, 1956, to give guarantee/or provide security in connection with renewal of credit facility given by Global Trust Bank Limited to an associate company M/s. LKP Shares & Securities Limited up to a limit of Rs.1600 lacs outstanding at any time on such terms and conditions as they thought fit for furthering the business interest of the company be ratified."

NOTES :

- (1) 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.
- (2) 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.
- (3) The Register of Members and Share Transfer books will remain closed from 11th September, 2001 to 17th September, 2001 (both days inclusive).
- (4) The explanatory statement setting out the material facts concerning special businesses at item no 4 to 11 of the above notice as required by section 173 of The Companies Act, 1956 is annexed hereto.
- (5) Pursuant to section 205 of The Companies Act, 1956, all unclaimed/unpaid dividend upto the financial year ended 31st March, 1995 have been transferred to the General Revenue Account of the Central Government. The Shareholders who have not yet encashed their dividend warrants for the said period are requested to claim the amount from Registrar of Companies, Maharashtra, CGO Complex, 2nd Floor, CBD Belapur, Navi Mumbai-400 614.
- (6) As a measure of economy, copies of the Annual Report will not be distributed at the Annual General Meeting. Members are therefore requested to bring their copies of the Annual Report to the meeting.
- (7) Members are requested to endorse their signature at the space provided for on the attendance sheet annexed to the proxy form and hand over the slip at the entrance to the place of the meeting.
- (8) Members are also requested to quote their Folio Numbers in all correspondence with the Company's Registrars and Shares Transfer Agent, IIT Corporate Services Limited and notify them on or before 11th September, 2001 any changes in their addresses and their mandates, if any.



(9) Re-appointment of Director Mr. M. V. Doshi :-

At the ensuing Annual General Meeting, Mr. M. V. Doshi retires by rotation and being eligible, offers for reappointment. Pursuant to clause 49 of the Listing Agreement relating to the code of Corporate Governance, his particulars are given below :-

Mr. M. V. Doshi, aged 51 years has qualified as an MBA from U.S.A. He is a promoter and is associated with the company since inception. He was designated as vice chairman since 8th November 1993. At present, Mr. M. V. Doshi is Executive Chairman of the company in which capacity he advises the company on finance, corporate planning and management, Money Changing business and other related matters. Mr. M. V. Doshi is a member of various committee of Board (i.e. Banking Operation Committee, Share transfer Committee, Investor Grievance Committee and Audit Committee). The other directorship/membership of Mr. M.V. Doshi are as follows :-

Sr. No.	Name of the Company	Board Position Held	Board Committee Membership
1.	Nilkamal Plastics Ltd	Director	Audit
2.	Elbee Services Ltd	Director	—
3.	LKP Shares & Secu Ltd	W/T Director	—
4.	LKP Securities Ltd	Director	—
5.	Doshi Holdings Ltd	Director	—
6.	LKP Foreign Exch Brx.Ltd	Director	—
7.	MKM Share & Stock Br Ltd	Director	—
8.	Advent Engg P Ltd	Director	—
9.	Bhavna Holdings P Ltd	Director	—
10.	Peak Plastonics P Ltd	Director	—
11.	Sea Glimpse Invests P Ltd	Director	—
12.	Lavino Kapur Cottons P Ltd	Director	—
13.	Rama Newsprint & Papers Ltd	Director	—

ANNEXURE TO THE NOTICE

Explanatory statement pursuant to Section 173(2) of The Companies Act, 1956 :

Item No. 4 to 6

Mr. Minoo R. Shroff, Chairman of Board of Directors of the Company has resigned with effect from 26th February 2001. Mr. V.D. Desai, Director passed away on 20th March 2001. Mr. C.P. Mehta, Director has resigned with effect from 3rd April 2001 and Mr. P.C. Mehta, Director has also resigned with effect from 16th May 2001. The agreement of Executive Directorship of company with Mr. P. C. Mehta came to an end by mutual consent.

The Board meeting held on 26th July 2001 has accepted all the above resignations and has expressed deep condolence on the demise of director Mr. V. D. Desai and noted with appreciation the contribution to the growth of the company by all the above named persons.

To broad-base the Board and to meet the requirements of corporate governance under listing requirements and formation of various committees thereunder, Mr. M. S. Bhise and Mr. V. N. Suchanti are appointed as Independent Non-Executive Additional Directors at the Board meeting held on 26th July, 2001. Mr. M. V. Doshi, who was earlier vice-chairman of the Company has now been appointed as Executive Chairman of the company.

Appointment of Mr. M. S. Bhise as a Director

Mr. M. S. Bhise is a post-graduate in Economics and Law graduate and holds diploma in Management Studies. He is practicing as an Advocate and proprietor of M/s. Milan Bhise and Co, a leading Advocate firm. Mr. M. S. Bhise has vast experience in handling all types of civil litigation and matters related to Arbitration, Testamentary, Labour and Admiralty. The other directorship/ membership of Mr. M.S. Bhise are follows :-

Sr. No.	Name of the Company	Board Position Held	Board Committee Membership
1.	Shree Dwarkadhish Securities & Finlease P. Ltd.	Director	—
2.	Ethics Securities & Finlease P. Ltd.	Director	—
3.	Foundation Securities & Finlease P. Ltd.	Director	—

None of the Directors are interested in passing of the resolution proposed at item No. 4 except Mr. M.S. Bhise.

Appointment of Mr. V. N. Suchanti as a Director

Mr. V. N. Suchanti, aged 35 years has qualified as an MBA from U.S.A. He is associated with the Keynote Group of companies since decade. At present, Mr. V. N. Suchanti is Whole Time Director of Keynote Corporate Services Limited, SEBI registered category I Merchant Banker. The other directorship/ membership of Mr. V.N. Suchanti are follows :-

Sr. No.	Name of the Company	Board Position Held	Board Committee Membership
1.	Keynote Corporate Services Limited	Whole Time Director	—
2.	Keynote Capital Limited	Whole Time Director	—

None of the Directors are interested in passing of the resolution proposed at item No. 5 except Mr. V.N. Suchanti.

- (10) The special businesses at serial no. 7, 8 and 11 require consent of shareholders through postal ballot. The Company has separately sent a notice to all the Shareholders alongwith draft resolutions explaining the reason therefore, and requesting them to send their assent or dissent in writing on a Postal Ballot. Therefore these businesses will not be transacted in the 17th Annual General Meeting .

By Order of the Board of Directors

M.V. DOSHI

Executive-Chairman

Mumbai,
8th August, 2001.



Appointment of Mr. M. V. Doshi as Executive Chairman of the Company

At Board Meeting held on 26th July, 2001, Mr. M.V. Doshi has been appointed as Executive Chairman of the company for a period of five years w.e.f. 26th July, 2001. The appointment of Mr. M.V. Doshi as Executive Chairman is subject to necessary approval of the shareholders at the ensuing annual general meeting. He has opted not to draw any remuneration from the company. His appointment is subject to the provisions of Section 198, 269, 309 and other applicable provisions of the Companies Act, 1956 read with schedule XIII of the Act.

Mr. M.V. Doshi will not be entitled to any sitting fees for attending meeting of the Board or Committees thereof.

The agreement can be terminated by either party by giving to the other party three months notice.

As required under Section 302 of the Companies Act 1956, the above may be treated as an abstract relating to the terms and conditions of the appointment of Mr. M.V. Doshi to be sent to members of the company.

The appointment of Mr. M.V. Doshi is required to be approved by the shareholders in the first general meeting after his appointment and accordingly this resolution is being placed before the members of the company. The Board recommends the passing of the resolution proposed at item No. 6 of the accompanying notice.

None of the Directors are interested in passing of the resolution proposed at item No. 6 except Mr. M.V. Doshi.

Item No. 7

The company has been engaged, inter alia, in the business of Money Changing for which the Company operates Full Fledged Money Changing counters at 35 branches in 28 cities in India.

These branches, the Regional Offices and Corporate office employs approximately 301 employees. The annual income of this business for the last 3 accounting years ended 31st March, 1999, 2000 & 2001 has been Rs. 787.82 lacs, Rs.907.33 lacs and Rs.1037.58 lacs.

The business carried out under the Brand name, "LKP Forex" has operated efficiently and has been profitable. The company's composite Financial statements do not specifically reflect the profitability and the strong market position commanded by this business. In order to express correctly the true worth of the money changing business, to ensure complete and undivided focus on this business, and to consolidate all money changing operations in one entity, it is considered necessary to transfer this business division to its Wholly Owned Subsidiary "LKP Foreign Exchange Bureaux Ltd." (to be named "LKP Forex Ltd."). This subsidiary company operates as Restricted Money Changer as against the money changing division of the company which operates as a Full Fledged Money Changer.

Your company's money changing business along with all its present employees, and such assets and liabilities as the board of directors at their discretion deem fit, will be transferred to the subsidiary in total conformity of law to ensure that the concerned employees

would have continuity of service and full protection of their existing terms and conditions of service with the existing subsidiary company becoming the new owner of this business. This will enable the company to express correctly the true worth of this business, have undivided top management focus on this business, offer more value added services and products, consolidate its money changing operations in one entity and to explore possibilities of seeking a strategic partner. The proposed transfer to the subsidiary company could provide a structure that would enable the company to achieve the aforesaid objectives.

The Board is satisfied that it would be in the best interest of the Company, its shareholders and its concerned employees to transfer the money changing business as referred to in the Ordinary Resolution set out at item No. 7 of the Notice convening the meeting, to LKP Foreign Exchange Bureaux Ltd. (to be named "LKP Forex Ltd.") a Wholly Owned Subsidiary of the Company.

The Board accordingly commends the Ordinary Resolution set out at item 7 of the Notice to seek members' authority to implement the proposed transfer for their acceptance. It will be implemented after seeking all necessary approvals including that of the Reserve Bank of India.

None of the Directors of the Company are deemed to be interested in passing of the above resolution.

Item No. 8 and 9

With the object of undertaking new business and thrive for entering into new fields of business activity and in particular entering into partnership with reputed organization, the company is contemplating to start retail outlets for establishing refreshment chains. In anticipation of the same, it would be advisable to incorporate new clauses in part C - Other objects of Clause III of Memorandum of Association. It is therefore considered advisable to incorporate clause 43 and 44 in part C - Other Objects after existing clause 42.

In accordance with the provisions of Section 17 of the Companies Act, 1956, the Object Clause of the Memorandum of Association can be altered only by a special resolution. Further, as a matter of prudence, approval of the shareholders is also sought at a General Meeting as required under Section 149 (2A) of the Companies Act, 1956 to enable the Board of Directors from time to time as it considers appropriate to commence and undertake all or any of the business specified in the new clauses 43 and 44.

The Board of Directors, therefore, recommend the passing of the Special Resolution of the accompanying notice. None of the Directors are deemed to be interested in passing the above resolution.

Item No. 10

The Board is desirous of seeking greater responsibility and accountability from the company's management team. The company has proposed to appoint Presidents and Vice Presidents for its management and to entrust them with substantial powers of management as Divisional Heads but subject to superintendence, control and direction of the Board of Directors. The present sub-



clauses of articles number 109 of Articles of Association do not contain the above authority.

It is, therefore, proposed to incorporate new sub-clauses in article no. 109 of the Articles of Association of the company providing for authority for the Board to manage company by President and Vice President whereby they shall be treated as Managers of the company under statutory requirements.

This is enabling resolution and Board recommends the same for approval. None of the Director is interested in the proposed resolution.

Item No. 11

The Provisions of Section 372A(1) (b) of the Companies Act, 1956 provides that prior approval of members by a Special Resolution is required before giving of guarantee or providing of securities in certain cases where giving guarantee or providing securities exceeds 60% of the company's paid up capital and free reserves or 100% or more of the company's free reserves, whichever is more. The Board may give guarantee, without being previously authorised by a Special Resolution if;

- (a) a resolution is passed in the meeting of the Board authorising to give guarantee;
- (b) there exists exceptional circumstances which prevent the company from obtaining previous authorisation by a Special Resolution in general meeting for giving a guarantee;
- (c) the resolution of the Board is confirmed within twelve months in a general meeting of the annual general meeting held immediately after passing the Board Resolution, whichever is earlier.

The Global Trust Bank Limited has renewed credit facility through its Nariman Point Branch, Mumbai granted to our associate company M/s. LKP Shares & Securities Limited. The Company as Guarantor for the repayment and discharge of the said credit facility has executed guarantee deed and passed Board resolution in the meeting held on 20th February 2001 subject to the confirmation of the same in the annual general meeting. The Board has opinioned the renewal of the facilities to LKP Shares & Securities Limited by Global Trust Bank Limited as furthering the business interest of the group as whole and exercised its power to give guarantee by passing resolution in accordance with the provisions of the Companies Act, 1956.

The members' approval of the above for ratifying the powers utilised by the Board of Directors is for the purpose of fulfilling the conditions laid down in Section 372A(1) (b) of the Companies Act, 1956. Mr. M.V. Doshi, as Director is interested in the resolution to the extent of his shareholding in LKP Shares & Securities Limited.

All the documents referred to in this statement will be available for inspection by the members of the company at the Registered Office of the company between 11.00 a.m. 1.00 p.m. on any working day of the company till 15th September 2001.

By order of the Board of Directors

Mumbai
8th August, 2001.

M.V. Doshi
Executive-Chairman



Directors' Report

1. The Directors present the Seventeenth Annual Report and Audited Accounts of the Company for the year ended March 31, 2001.

	2000-2001 (Rs. in lacs)	1999-2000 (Rs. in lacs)
2. FINANCIAL RESULTS		
Profit/(Loss) subject to Depreciation & Tax	(3262.65)	910.21
Depreciation	199.08	192.36
Provision for diminution in value of Investment	31.18	—
Profit/(Loss) before tax	(3492.91)	717.85
Provision for taxation	—	160.00
Profit/(Loss) after tax	(3492.91)	557.85
Profit/(Loss) brought forward from previous year	22.05	(535.80)
Balance carried to Balance Sheet	(3470.86)	22.05

3. DIVIDEND

In view of the company having made losses for the above period, the Board regrets its inability to recommend any dividend for the year.

4. PERFORMANCE REVIEW

The strong economic growth for the year 1999-2000 had raised hopes of another growth year in 2000-01. However, these hopes were sadly belied. Most of the economic indicators reflect a slowdown in growth - not only in the Indian economy but in many countries worldwide. With the inflow of gloomy economic news worldwide, corporates and individuals initiated strong measures for cutting costs at all levels. One of the first segments to be hit is foreign travel. This cost control measure by our clients coupled with increasing competition has put pressure on the margins of our money changing business.

As you are aware, your company's focus area has been in strengthening its Money Changing business. Your company's strength has been its distribution reach. During the year, your company further strengthened distribution reach by opening new branches at Varanasi and Pondicherry. Your company now operates its Money Changing business from 35 branches located at 28 leading cities in the country. Your company continues to be recognised as one of the leading Money Changers in the country.

Your company has proposed to transfer the Money Changing business to an existing wholly owned subsidiary company so as to improve focus on the business, increase value added services and retain its market share. Shareholders approval is being sought through Postal Ballot.

Your company's travel related Insurance business in the year under Report has grown steadily. This division offers services at 8 cities as of now and there are plans to expand

the reach. Over 14,000 policies have been issued till 31st March, 2001. It is satisfying to note that this business has crossed the break even level and we are confident that it will improve further from this year.

During the year under review, the stock markets saw large fall in market values of nearly all companies. This phenomenon is not common to the Indian stock markets. Your company had actively participated in investment activities during the year, 1999-2000 and had earned substantial income therefrom. However in the year 2000-01, the company has faced a great setback due to the downturn witnessed in the stock market. The total market capitalisation of all shares listed on the Stock Exchange, Mumbai fell by over 40% during the period 31st March 2000 to 31st March, 2001. The fall in values compounded by the tremendous fall in volumes of shares traded, meant that your company was not able to liquidate its investments position in a large number of companies when the market kept falling. It was only when the volumes of shares traded increased, that your company was able to liquidate its investment positions in companies.

From 2nd July 2001, the Indian stock markets have entered a new era. The structural changes introduced by SEBI in nearly all aspects of the stock markets-like doing away with the vyaj-badla system, introducing Rolling settlement for some of the most prominent and active stocks etc - have deeply impacted the volumes and prices of stocks traded. This, together with the series of other negative developments faced by the stock markets from March, 2001 has cast a pall of gloom over the stock markets. The unpredictable nature of the stock markets is more evident now than ever before. The coming few months will be the most difficult months for your company.

Legal remedies against borrowers and lessees who had defaulted in either repayment of loans or in payment of lease rentals continue to be pursued by the company.

5. CERTIFICATE FOR ISO 9002

Your company continues to maintain high level of quality services to its customers in the Money Changing business. This has been supported by the Surveillance Audits carried out by KPMG Quality Registrar for the Money Changing operations at Mumbai, New Delhi, Chennai and Pune.

6. LISTING

The company's equity shares are listed on the Stock Exchange, Mumbai and the Company has paid the listing fees upto and for the year 2001-02.

7. DELISTING

As reported last year, an appeal has been filed with Securities and Exchange Board of India against the Stock Exchange, Ahmedabad, subsequent to their refusal of

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. Members are requested to consider their reappointment at a remuneration to be decided by the Board.

12. DIRECTORS' RESPONSIBILITY STATEMENT :

As required under Section 217 of The Companies Act, the Directors hereby confirm that :

i) in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;

ii) the Directors have selected such accounting policies and applied them consistently and made judgement 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 period;

iii) the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of Companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities to the best of their knowledge and ability;

iv) the Directors have prepared the annual accounts on a going concern basis.

13. CORPORATE GOVERNANCE :

The Corporate Governance requirements for listed companies are not applicable to your company for the year under Report. Effective steps have been initiated to comply with the requirements in the current year.

14. ACKNOWLEDGEMENT

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

For and on behalf of the Board of Directors

Mumbai
Date : 26th July, 2001.

M. V. DOSHI
Executive Chairman



Auditors' Report

We have audited the attached Balance Sheet of LKP Merchant Financing Limited as at 31st March, 2001 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. Based on representations made by the Directors of the Company and the information and explanations given to us, none of the Directors of the company are, as at 31st March, 2001, disqualified from being appointed as directors of the company in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
6. *With respect to Unsecured Loans of Rs. 552.05 lakhs outstanding for a long period where there are no repayments/interest recovery as explained in Note No. 2(b)(ii), we are unable to formulate an opinion on the recoverability of the amounts due.*
7. *Attention is drawn to Note No. 2(d) regarding non-confirmation of balances of loans and advances and deposits.*

Subject to matters stated in paragraph 6 and 7 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 2001.
- 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 preceding years.
4. During the year the company has not taken loan from companies listed in the Register maintained under Section 301 of the Companies Act, 1956. In terms of sub-section 6 of section 370 of the Companies Act, 1956, this section shall not apply to a company on and after the commencement of the Companies (Amendment) Act, 1999.
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. 552.05 lakhs outstanding for a long period where there are no repayments/interest recovery as explained in note no. 2(b) (ii).