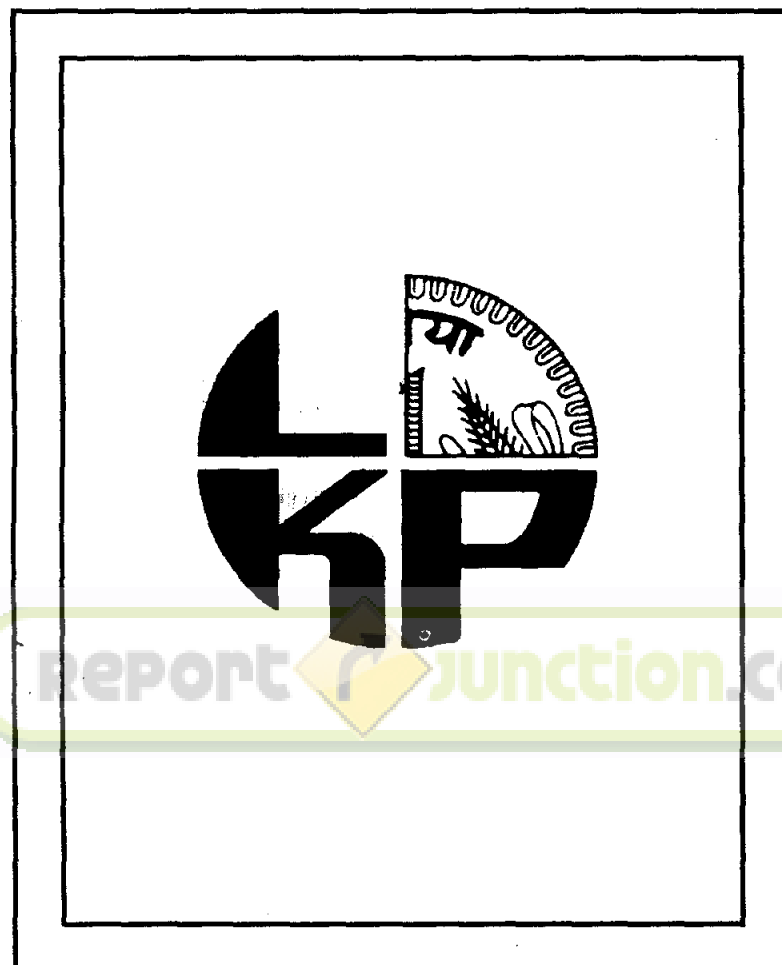


LKP Merchant Financing Ltd.



ANNUAL REPORT 2001-2002

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	<i>Company Secretary</i>
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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 :

Adroit Corporate Services Limited,
19, Jaferbhoy Industrial Estate,
1st Floor,
Makavana Road,
Marol Naka
Andheri (East),
Mumbai- 400 059
Tel : 8590942 / 8503743

*Annual General Meeting on 15th June, 2002 at 10.00
a. m. at North Mini Hall, Arcadia, NCPA Marg,
Nariman Point, Mumbai - 400 021.*



LKP Merchant Financing Ltd.

NOTICE

Notice is hereby given that the Eighteenth Annual General Meeting of the members of LKP Merchant Financing Limited will be held at North Mini-Hall, Arcadia, NCPA Marg, Nariman Point, Mumbai 400 021 on Saturday, 15th June 2002 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 2002, and Directors Report and Auditors Report thereon.
2. To appoint a Director in the place of Mr. V.N. Suchanti who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint auditors and to fix their remuneration.

Special Business :

4. To consider and if thought fit to pass with or without modification, the following resolution as a Special Resolution :
" RESOLVED THAT pursuant to Section 163(7) of the Companies Act, 1956 and all other applicable provisions of the Companies Act 1956, approval be and is hereby accorded to keep the register of members, index of members share transfer books, copies of Annual Returns prepared under Section 159 of the said Act together with copies of certificates and documents required to be annexed thereto under Section 160 & 161 of the said Act or any one or more from 1st April, 2002 with Adroit Corporate Services Private Limited 19, Jafarbhoy Industrial Estate, 1st floor, Makwana Road, Marol Naka, Andheri (E), Mumbai - 400 059.

RESOLVED FURTHER that registers, return books, certificates and documents of the Company required to be maintained be open for inspection under the provisions of the Companies Act, 1956 between 11.00 a.m to 1.00 p.m on any working day".

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 close from 7th June 2002 to 15th June 2002 (both days inclusive)
4. The explanatory statement setting out the material facts concerning special business at item 4 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 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 new Registrar and Share Transfer Agent, Adroit Corporate Services Limited and notify to them on or before 6th June 2002 any changes in their addresses and their mandates, if any.
9. Re-appointment of Director Mr. V. N. Suchanti:-
At the ensuing Annual General Meeting, Mr. V. N. Suchanti retires by rotation and being eligible, offer for re-appointment. Pursuant to clause 49 of the Listing Agreement relating to the code of Corporate Governance, the particulars of him are given below:-

Mr. V. N. Suchanti, aged 32 years is qualified as an MBA from U.S.A. He is associated with the Keynote Group of Companies since a decade. At present, Mr. V. N. Suchanti is Whole Time Director of the Keynote Corporate Services Limited, SEBI registered category I Merchant Banker and is also Whole Time Director in Keynote Capital Limited

By Order of the Board of Directors

Mumbai
7th May, 2002

(M.V. Doshi)
Executive Chairman

EXPLANATORY STATEMENT (PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956).

Item No. 4

The share transfer assignment is presently handled with IIT Corporate Services Ltd. It is now considered to transfer this assignment to Adroit Corporate Services Private Limited. Accordingly, Adroit Corporate Services Private Limited has been appointed as the Registrar and Transfer Agents. To enable the share transfer agents to perform their duties, it is necessary to shift the register of members, index of members, share transfer register etc. to their place at 19, Jafarbhoy Industrial Estate, 1st floor, Makwana Road, Marol Naka, Andheri (E), Mumbai-400 059.

Under the provisions of the Companies Act, 1956, the Company in General Meeting is entitled to impose reasonable restrictions on keeping the certificates, registers, books and documents open for inspection by the persons entitled thereto but so that not less than 2 hours on each working day is allowed for inspection. Accordingly, it is proposed to determine the period during which inspection would be undertaken by persons entitled thereto. The hours of inspection sought to be prescribed by the said resolution are part of the usual business hours and are reasonable and convenient.

None of the Director is interested in the resolution.

By Order of the Board of Directors

Mumbai
7th May, 2002

(M.V. Doshi)
Executive Chairman



Directors' Report

1. The Directors present the Eighteenth Annual Report and Audited Accounts of the company for the year ended March 31, 2002.

	2001-2002 (Rs. in lacs)	2000-2001 (Rs. in lacs)
2. FINANCIAL RESULTS		
Profit/(Loss) subject to Depreciation & Tax	28.02	(3262.65)
Depreciation	92.67	199.08
Provision for diminution in value of Investment	28.70	31.18
Provision for Non Performing Assets	45.85	—
Profit/(Loss) before tax	(139.20)	(3492.91)
Provision for taxation	—	—
Profit/(Loss) after tax	(139.20)	(3492.91)
Profit/(Loss) brought forward from previous year	(3470.86)	22.05
Balance carried to Balance Sheet	(3610.06)	(3470.86)

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. TRANSFER OF MONEY CHANGING BUSINESS

In September, 2001 the members had conveyed their consent through a Postal Ballot to the transfer of the Company's Money Changing business to the Wholly Owned Subsidiary - LKP Forex Ltd. The Board is pleased to report that with effect from 1st March 2002, the complete Money Changing business of the Company has been transferred to LKP Forex Ltd. - the Wholly Owned Subsidiary Company.

5. PERFORMANCE REVIEW

The company's main business activity of money changing faced challenging times during the year under review. The margins at which this business is done was under competitive pressure in the first half of the financial year. The terrorist attack on World Trade Centre in New York, USA and the war on terrorism by USA affected the Travel Industry significantly. Consequently, the money changing business also was impacted. In view of these challenges, the operating results are satisfactory.

6. MANAGEMENT DISCUSSION AND ANALYSIS

A) INDUSTRY STRUCTURE AND DEVELOPMENTS

The Money Changing business is regulated by the Reserve Bank of India. The Money Changing business is dependent upon the economy and tourism. Tourism worldwide was affected by the attack on the World Trade Centre in New York on 11th September, 2001. For some period not only did the Dollar - Rupee exchange rate suffer but both inbound and outbound traffic also suffered. Subsequently however, the traffic flow has picked up leading to an improved business environment for money changing.

B) OPPORTUNITIES AND THREATS

The highly regulated Money Changing Industry has received a boost from the RBI which has allowed FPMC's to operate through Franchisees who will act as RMC's under the complete control of the FPMC. Your Company sees great opportunity for its

wholly owned subsidiary in this business.

The ever increasing use of International Credit Cards means that Foreign Travellers will purchase less currencies and constitutes a potential threat.

C) SEGMENTWISE PERFORMANCE

During the year, the money changing business was transferred to the wholly owned subsidiary, LKP Forex Ltd. The performance of money changing division for 11 months ended 28th February, 2002 as compared to performance of the division in the preceding year (2000-01) is as under :

	2001- 02 (Rs. lacs)	2000- 01 (Rs. lacs)
Total Income	1191.98	1037.58
PBITD	403.83	414.30
Profit before depreciation	320.71	331.38
Profit before tax	252.98	258.59

Your wholly owned subsidiary operates Full Fledged money changing centres out of 41 branches as at 31st March, 2002. Further geographical spread by appointing Franchisees and starting new branches is expected to yield better results in the coming years.

D) OUTLOOK

LKP Forex Ltd. also expects to improve business by implementing its plan of appointing Franchisees and expanding the branch network.

E) CONCERNS

It is hoped that political situation worsened by the recent developments in Gujarat will improve.

F) INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The money changing business has a proper and adequate system of internal controls to ensure that its assets are safeguarded and protected against loss from unauthorised use. Internal Controls are also in place to ensure that all transactions are authorised, regulated and reported correctly. Regular internal audits are conducted by firms of Independent Chartered Accountants.

There also is a clearly defined organisation structure and authority limits for strictly adhering to Corporate Policies for financial reporting.

G) HUMAN RESOURCES

We are in the service industry. As such human resources becomes one of the most important resources and needs to be carefully nurtured. Training and development of human resources continue to receive focussed attention. This is to ensure that all employees are fully conversant with and trained in latest development in their respective fields. Key personnel in the Money Changing business have undergone advanced training in their respective functional areas. The number of employees employed in the money changing businesses as at 31st March, 2002, was 306.

7. CERTIFICATE FOR ISO 9002

The ISO 9002 Certificate was issued to LKP Merchant Financing Ltd. for carrying out the Money Changing business. The validity of the Certificate was till July, 2001. It was considered prudent not to renew the Certificate since the Money Changing business was proposed to be transferred to LKP Forex Ltd.

**8. LISTING**

The company's equity shares are listed on the Stock Exchange, Mumbai and the Company has paid listing fees upto and for the year 2002-03.

9. 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 for accepting voluntary delisting application. The said appeal is pending.

10. PUBLIC DEPOSITS

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

11. SUBSIDIARY COMPANIES

Your Company's wholly owned subsidiaries LKP Forex Ltd. and LKP Securities Ltd. performed commendably during the year. During the year Gayatri Cement & Chemicals Industries Pvt. Ltd. and Doshi Holdings Pvt. Ltd. made preferential allotments of new equity shares whereby your company's holding in the expanded capital of both these companies was reduced to less than 50%. Consequently, both these companies have ceased to be subsidiaries of your Company.

12. STATUTORY DISCLOSURE

The company did not have any employee falling within the scope of Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975.

The provisions of Section 217(1)(e) of the Companies Act, 1956 relating to conservation of energy and technology absorption do not apply to your company.

13. DIRECTORS

Mr. V.N. Suchanti retires by rotation and being eligible offers himself for reappointment.

14. AUDITORS' REPORT

The Auditors' comments in their report dated 7th May, 2002, are dealt with by Note No. 2(b)(i), 2(d), 4, 6 of Schedule 17 and Note A (ii) of Schedule 3 annexed to the Balance Sheet and Profit Loss Account, which are self explanatory.

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.

15. 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.

16. ADDITIONAL DISCLOSURES

In line with the requirements of the Listing Agreements and the Accounting Standards of the Institute of Chartered Accountants of India, your Company has made additional disclosures in respect of Consolidated Financial Statements.

17. CORPORATE GOVERNANCE :

The Report on Corporate Governance along with a Certificate of compliance from the Auditors forms part of this Report.

18. 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 : 7th May, 2002.

(M. V. DOSHI)

Executive Chairman

Report on Corporate Governance pursuant to clause 49 of Listing Agreement

1. Company's philosophy on code of Governance

The company is aiming at efficient conduct of the business in meeting its obligations to the shareholders.

2. Board of Directors

Composition

The composition and category of Directors as on 31st March 2002 are as follows:-

Category	Name of Directors	Designation
Promoter	Mr. M. V. Doshi	Executive Chairman
Independent	Mr. Milan S. Bhise	Director
Independent	Mr. Vineet N. Suchanti	Director

The Board has accordingly optimum combination of executive and non-executive Directors and Independent and non-independent Directors. Non-Executive Directors of your company have no pecuniary relationship or any transaction with your company. Non-Executive Directors are not paid any remuneration.

Attendance at Board Meeting and last Annual Meeting.

All directors have attended all Board Meeting except Mr. Milan S. Bhise who had sent leave of absence from attending two Board Meeting held on 24th December 2001 and 28th March, 2002 All the Directors have remained present at the last 17th Annual General Meeting held on 17th September 2001.


Other Board or Committee in which each Director is a member or chairman

Name Of Director	Directorship in other companies	No of committees in which Chairman/Member
Mr. M. V. Doshi	11	5 4
Mr. M. S. Bhise	3	1 2
Mr. V. N. Suchanti	13	1 5

Board Meeting held

In financial year 2001-2002, the Board met seven times. The Board meetings were held on 26th July 2001, 8th August 2001, 20th October 2001, 24th December 2001, 25th January 2002, 26th February 2002 and 28th March 2002.

3 Audit Committee
Composition

The Board has set up Audit Committee having two Independent Directors Mr. M. S. Bhise and Mr. V. N. Suchanti are members. Mr. V. N. Suchanti is the chairman of the Audit Committee.

Audit Committee meetings were held on 20th October 2001, 25th January 2002 and on 7th May 2002. All the members have attended the aforesaid meetings. The chairman and statutory auditors were the invitees to the above meetings

4. Remuneration of Directors

The Board has not set up a Remuneration Committee. The Executive Chairman has opted not to draw any remuneration from the company. At present, Independent Directors are not paid any remuneration.

5. Shareholders Committee

The Board has set up Shareholders Grievance Committee having two Independent Directors Mr. M. S. Bhise and Mr. V. N. Suchanti as members. Mr. M. S. Bhise is the chairman of the Shareholders' Committee. Mr. K.B. Baxi, Company Secretary of the company is compliance officer. Due to certain compulsions, the company has changed its Registrar and Share Transfer Agent from M/s. IIT Corporate Services Limited to Adroit Corporate Services Private Limited. There is no complaint which has remained unredressed.

6. General Body Meetings

The Particulars of last three years annual general meetings are as under:-

Financial Year	Day and Date	Time
2000-2001	Monday, 17/9/2001	10.00 a.m
1999-2000	Tuesday, 27/6/2000	4.30 p.m
1998-1999	Tuesday, 29/6/1999	10.30 a.m

Location : All the above A. G. M's were held at M. C. Ghia Hall, Bhogilal Hargovindas Building, 18/20, K. Dubash Marg, Mumbai.

Resolutions put through postal ballot last year and details of voting pattern
1. Ordinary Resolution for Transfer of Money Changing Business to Wholly Owned Subsidiary

The Chairman had declared the following results :-

Total votes cast were	83,97,792	100 %
Votes cast for the resolution	77,71,270	92.54 %
Votes cast against the resolution	6,26,522	7.46 %

Accordingly, above resolution had passed with requisite majority.

2. Special Resolution for Amendments to Other Objects Clauses

The Chairman had declared the following results :-

Total votes cast were	77,87,698	100 %
Votes cast for the resolution	77,69,983	99.77 %
Votes cast against the resolution	17,715	0.23 %

Accordingly, above resolution had passed with requisite majority.

3. Special Resolution Ratification of Authority exercised by Board of Directors towards giving guarantee to Bank in connection with renewal of credit facility given to associate company

The Chairman had declared the following results :-

Total votes cast were	77,87,708	100 %
Votes cast for the resolution	77,57,942	99.62 %
Votes cast against the resolution	29,766	0.38 %

Accordingly, above resolution is passed with requisite majority.

Persons who conducted the postal ballot exercise

Mr. Rakesh Shah, Proprietor of Rakesh Shah & Associates, Chartered Accountants A/7, Navarang Society, 3rd Floor, Parekh Lane, Kandivali (West) Mumbai 400 067

Procedure for the postal Ballot

The company had followed the provisions of section 192A of the Companies Act, 1956 (the Act) read with the Companies (passing of the resolution by postal ballot) Rules 2001 (w.e.f. 15th June 2001), and obtained shareholders assent to the above special businesses required to be determined through postal ballot.

7. Disclosure

- There are no related party transactions made by the company with its promoters, Directors or Management, their subsidiaries or relatives. The Register of Contracts containing the transactions in which Directors are interested is regularly placed before the Board for its approval.
- During the last three years, there were no strictures or penalties imposed either by Securities and Exchange Board of India or the Stock Exchanges or any regulatory authority for non-compliance of any matter related to the capital market.

8. Means of communication

- The quarterly and half-yearly results are published in Free Press Journal and Nav-shakti. dailies. These are not sent individually to the shareholders.
- The company's results or official news are not displayed on the company's web site. There were no presentations made to the institutional investors or to the analysts.
- The Management, Discussion and Analysis Report forms a part of this Annual Report.



LKP Merchant Financing Ltd.

9. General Shareholder information

AGM Date, Time and Venue : 15th June 2002 at 10.00 a.m. at North Mini-Hall, Arcadia, NCPA Marg, Nariman Point, Mumbai 400 021.

Financial Year : April to March First Quarter Results last week of July, Half yearly Results 3rd week of October, Third Quarter Results 3rd week of January. Results for year 2nd week of May.

Book Closure : 7th June 2002 to 15th June 2002 (both days inclusive)

Dividend payment date : Not applicable

Listing on Stock Exchange :

The Mumbai Stock Exchange. The company has paid the listing fees for the period from 1st April 2002 to 31st March 2003. An appeal has been filed with Securities and Exchange Board of India against the Stock Exchange, Ahmedabad subsequent to their refusal of accepting voluntary delisting application. The said appeal is pending.

Stock Code - Physical : 507912 on The Mumbai Stock Exchange

Demat ISIN No for depositories : INE724A01017

Market Price Data

High/Low of market price of the company's shares traded in the Stock Exchange, Mumbai during the financial year 2001-2002 is furnished as below:-

Month & Year	Company's share Price	
	High	Low
April 2001	5.00	3.00
May 2001	6.50	3.20
June 2001	5.20	3.75
July 2001	4.30	3.30
August 2001	3.70	3.00
September 2001	3.40	2.25
October 2001	3.25	1.30
November 2001	4.55	1.60
December 2001	4.15	2.50
January 2002	3.75	2.10
February 2002	6.90	2.05
March 2002	6.90	3.05

Registrar and Share Transfer Agents:-

The company has appointed M/s. Adroit Corporate Services Private Limited as the Registrar and Transfer Agents with effect from 1st April 2002 having their office at 19, Jafarbhoy Industrial Estate, 1st Floor, Makawana Road, Marol Naka, Andheri (East) Mumbai 400 059.

Share Transfer System

All the transfer received are processed by the Registrar and Transfer Agents and are approved by Share Transfer Committee which normally meets twice in a month. The Share Transfers are registered and returned within period of 22 days from the date of lodgment, if documents are complete in all respect.

Distribution of shareholding as on 17th September 2001

No of Shares		No of Holders	% to total	No of Share	% to total
Up to	5000	9148	87.57	13633740	10.85
5001 to	10000	647	6.19	4333780	3.30
10001 to	20000	347	3.32	5085450	3.87
20001 to	30000	80	0.77	2033250	1.59
30001 to	40000	54	0.52	1878700	1.47
40001 to	50000	36	0.35	1658820	1.30
50001 to	100000	68	0.65	4685810	3.66
100001 and above		66	0.63	94030450	73.96
		10446	100	12800000	100

Dematerialization of equity Shares and liquidity

As at 30th March, 2002, 83.06 per cent of the company's total shares representing 1,06,32,495 shares were held in dematerialized form.

Address for correspondence

LKP Merchant Financing Limited
112A/203, Embassy Centre, Nariman Point, Mumbai 400 021

For and on behalf of the Board of Directors

Mumbai
Date : 7th May, 2002.

(M. V. DOSHI)
Executive Chairman

CERTIFICATE

We have examined the compliance of the conditions of Corporate Governance by LKP Merchant Financing Limited for the year ended 31st March 2002 as stipulated in clause 49 of the Listing Agreement of the said company had with Stock Exchange, Mumbai.

The Compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to the procedure 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 the opinion on the financial statements of the company.

In our opinion and to the best of our information and explanations given to us, we certify that the company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement, except that number of minimum non-executive Director (with majority of them being independent) in constitution of Audit Committee is lower than three members required under sub-clause a of the Item at paragraph II of Clause 49 of the Listing Agreement.

We state that in respect of investor grievances received during the year ended 31st March 2002, no investor grievances are pending against the company as on 7th May 2002 as per the records maintained by the company and presented to the Shareholders' Grievance committee.

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 affairs of the company.

For Ford, Rhodes, Parks & Co.,
Chartered Accountants

Place : Mumbai
Date : 7th May, 2002

(A.D. Shenoy)
Partner



LKP Merchant Financing Ltd.

Auditors' Report

We have audited the attached Balance Sheet of LKP Merchant Financing Limited as at 31st March, 2002 and also the Profit & Loss Account of the Company for the year ended on that date annexed thereto. These financial statement are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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 statement are free of material misstatement. 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.

1. *Though the company's accumulated losses have exceeded the share capital and major portion of the reserves, as the company has undertaken restructuring of the group's business activities the accounts are prepared on "going concern" basis (refer note no 6).*
2. As required by the Manufacturing and Other Companies (Auditors Report) Order, 1988, and on the basis of such checks as we considered appropriate, we give in annexure, a statement on the matters specified in paragraphs 4 and 5 of the said Order.
3. Further to our comments in paragraph 1 and 2 above :
 - 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 accounts as required by law have been kept by the company so far as appears from our examination of the books.
 - c. The Balance Sheet and Profit and Loss Account dealt with by report are in agreement with the books of account.
 - d. In our opinion, the Balance Sheet and the Profit and Loss Account dealt with by 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.

- e. Based on representations made by the Directors of the company and the informaion and explanation given to us, none of the Directors of this company are, as at 31st March, 2002, 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.

- f. *No provision has been made for the following :*

- (i) *Accrued interest on non-convertible debentures amounting to Rs. 7.20 crores for reasons stated in note A (ii) of schedule 3.*
- (ii) *No provision has been made for accrued interest of Rs.125.00 lacs on the intercorporate deposits for reasons stated in note no 4 of notes to accounts.*

The loss for the year is thus understated to the extent.

- g. *Reference is invited to :*

- (i) *note no 2 (b) (i) regarding unsecured old loans amounting to Rs. 487.05 lacs and there are no repayments / interest recovery. Though the company is making efforts to realise these loans it may face difficulty in realising these loans.*
- (ii) *Note No. 2 (d) regarding non-confirmation of balances of loans and advances and deposits.*

4. Subject to matters stated in paragraph 1, 3 (f) and (g) 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 2002.
and
- b) in the case of the Profit and Loss Account- of the loss for the year ended on that date.



LKP Merchant Financing Ltd.

ANNEXURE REFERRED TO IN PARAGRAPH 2 OF THE REPORT

1. The Company has maintained proper records to show full particulars including quantitative details and situation of fixed assets. All lease agreements have expired and 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. As stated in the note no 5 of the accounts fixed assets belonging to Full Fledged Money Changing Division has been transferred to Wholly Owned Subsidiary Company LKP Forex Limited with effect from 1st March, 2002. 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. Physical verification has been conducted by the Management at reasonable intervals in respect of 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. 487.05 lakhs outstanding for a long period where there are no repayments/interest recovery as explained in note no. 2(b) (i).
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 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. Consequently, 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 : 7th May, 2002

(A.D.SHENOY)
Partner

BALANCE SHEET AS AT 31ST MARCH, 2002

	Schedule	Rs. in Lacs	Rs. in Lacs	As at 31-3-2001 Rs. in Lacs
I. SOURCES OF FUNDS :				
1. Shareholders' Funds				
a. Share Capital	1	1,530.00		1,530.00
b. Reserves and Surplus	2	2,513.40		2,513.40
			4,043.40	4,043.40
2. Loan Funds				
a. Secured Loans	3	7,111.92		8,222.91
b. Unsecured Loans	4	1,010.59		1,158.95
			8,122.51	9,381.86
TOTAL			12,165.91	13,425.26
II. APPLICATION OF FUNDS :				
1. Fixed Assets	5			
a. Gross Block		4,286.34		4,496.74
b. Less : Depreciation		3,332.58		3,239.92
c. Net Block			953.76	1,256.82
d. Capital Work-in-Progress			190.62	199.56
2. Investments	6		1,592.94	1,052.56
3. Current Assets, Loans & Advances				
a. Stock on hand	7	0.39		698.07
b. Sundry Debtors	8	41.98		1,125.99
c. Cash & Bank Balances	9	10.22		785.97
d. Loans & Advances	10	6,677.40		6,950.24
		6,729.99		9,560.27
Less : Current Liabilities and Provisions				
a. Liabilities	11	757.92		1,948.46
b. Provisions	12	170.20		167.20
		928.12		2,115.66
Net Current Assets			5,801.87	7,444.61
4. Miscellaneous Expenditure	13		16.66	50.85
5. Profit & Loss Account-Debit Balance		3,610.06		3,470.86
Less : General Reserve Balance				50.00
			3,610.06	3,420.86
TOTAL			12,165.91	13,425.26

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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 : 7th May, 2002

Executive Chairman
Director
Director

M. V. Doshi
M. S. Bhise
V. N. Suchanti

Mumbai
Dated : 7th May, 2002