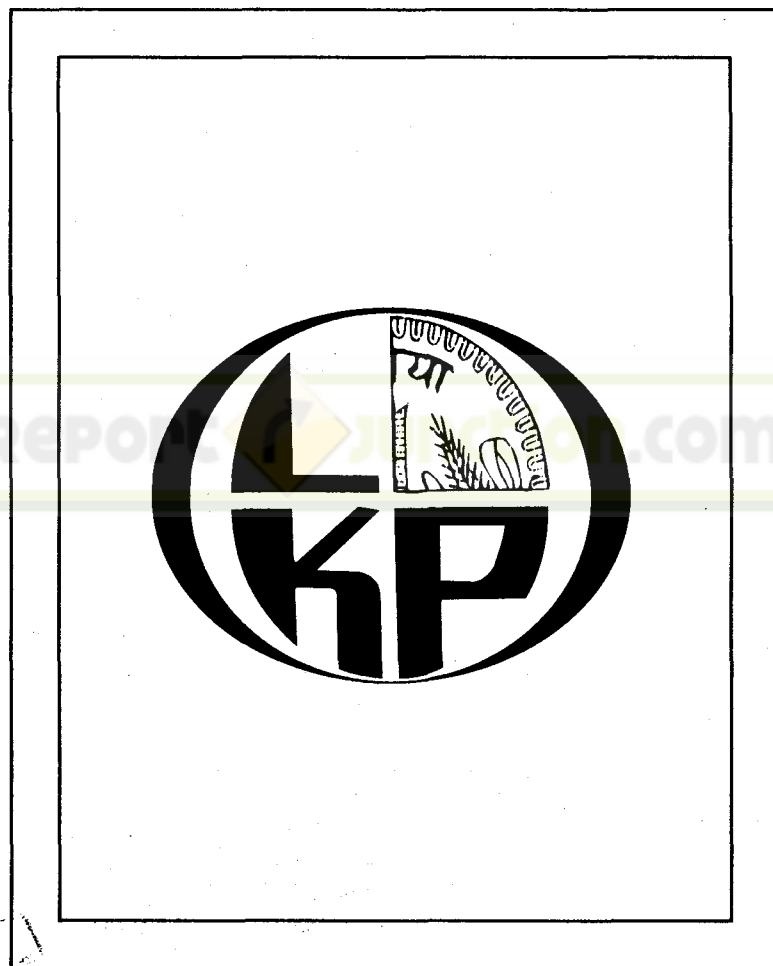


# **LKP Merchant Financing Limited**



**ANNUAL REPORT 2003-2004**

## **LKP MERCHANT FINANCING LIMITED**

### **Board of Directors :**

Mr. M. V. Doshi *Executive Chairman*

Mr. M. S. Bhise *Director*

Mr. V. N. Suchanti *Director*

Mr. G. B. Innani *Company Secretary*

### **Auditors :**

Ford, Rhodes, Parks & Co.,  
Bank of Baroda Building,  
3rd Floor, Mumbai Samachar Marg,  
Mumbai - 400 023.

### **Registered Office :**

203, Embassy Centre,  
Nariman Point,  
Mumbai - 400 021.  
Tel. : 2287 4785 / 2287 4786  
Fax : 2287 4787

### **Registrar & Shares Transfer Agents :**

Adroit Corporate Services Pvt. Ltd.  
19, Jaferbhoy Industrial Estate,  
1st Floor, Makavana Road,  
Marol Naka,  
Andheri (East),  
Mumbai - 400 059.  
Tel. : 28590942 / 28503743

Annual General Meeting on 11th September, 2004 at  
10.00 a.m. at M. C. Ghia Hall, Hargovindas Building,  
18/20, Kaikhushru Dubash Marg, Mumbai - 400 001.


**LKP Merchant Financing Limited**

## NOTICE

Notice is hereby given that the Twentieth Annual General Meeting of the members of LKP Merchant Financing Limited will be held at M. C. Ghia Hall, Bhogilal Hargovindas Building, 18/20, K. Dubash Marg, Mumbai 400 001 on Saturday, 11<sup>th</sup> September 2004 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 31<sup>st</sup> March 2004 and Report of Directors and Auditors thereon.
2. To appoint a Director in place of Mr. M. V. Doshi, who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint the Auditors and to fix their remuneration.

### 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 of the Company.
- (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 6<sup>th</sup> September 2004 to 11<sup>th</sup> September 2004 ( both days inclusive)
- (4) Any change in the address of the members may be intimated to the Company's Share Transfer Agents.

By Order of the Board of Directors

Mumbai

Date: 30<sup>th</sup> July 2004

(M. V. Doshi)

Executive Chairman

Report  Junction.com



## LKP Merchant Financing Limited

### DIRECTORS' REPORT

The Directors present the Twentieth Annual Report and Audited Accounts of the Company for the year ended March 31, 2004.

#### FINANCIAL RESULTS

	2003 - 2004 (Rs. in lacs)	2002 - 2003 (Rs. in lacs)
Profit / (Loss) subject to Depreciation & Tax	6.18	(112.34)
Depreciation	19.37	22.55
(Less)/Add: Provision for diminution in value of Investments	—	(17.56)
Profit / (Loss) before tax	(13.19)	(117.33)
Profit / (Loss) after tax	(13.19)	(117.33)
Investment Allowance Reserve Written Back	—	8.24
Profit / (Loss) brought forward from Previous year	(3719.15)	(3610.06)
Balance carried to Balance Sheet	(3732.34)	(3719.15)

#### 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.

#### PERFORMANCE REVIEW

The Company's income has increased substantially from Rs. 190.71 lacs to Rs. 410.34 lacs and corresponding net loss is reduced from Rs. 117.33 lacs to Rs. 13.19 lacs. During the year your Company attained financial closure for debt raised for 2 Companies. The Company continues its efforts to generate non fund based business. Also your Company continues to make all efforts to recover overdues from the clients by negotiations or by resorting to legal recourse.

#### TRADE MARK

Members will recall that one of the businesses promoted and nurtured by your Company since 1992 has been that of Money Changing. This business, which initially started off from a single location, grew into a multi location business, employing a large number of people. From mid nineties, your Company branded its money changing business as "LKP Forex". Subsequently, with significant inputs, the Trade Mark "LKP Forex" gained recognition as a provider of high quality money changing services. Your Company had applied to the Registration of Trade Marks, Mumbai under the Trade & Merchandise Marks Act, 1958 for registration of the label mark "LKP Forex". Your Company continues to own the Trade Mark "LKP Forex" even after the money changing business has been demerged to the wholly owned subsidiary "LKP Forex Ltd". Your Company has entered into an agreement with "LKP Forex Ltd." granting it exclusive right to the use of the Trade Mark "LKP Forex".

The Trade Mark "LKP Forex" is a very valuable asset of your Company. In order to correctly reflect the assets owned by your Company, on the books of accounts, it was decided to "value" the Trade Mark. A reputed firm of Chartered Accountants, having expertise in valuation of intangibles, has placed a value of Rs. 20.95 crores as a fair value of the Trade Mark "LKP Forex" as at 31st March, 2004. Accordingly, the Board of Directors have brought on the books of accounts of your Company, the value of the Trade Mark. This value represents a valuable intangible asset which is generating income for your Company in the form of Royalty from "LKP Forex Ltd."

#### 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.

#### SUBSIDIARY COMPANIES

The Company is a holding Company for the two wholly owned subsidiaries viz. LKP Forex Ltd. & LKP Securities Ltd. Pursuant to section 212 of the Companies Act, 1956, the relevant Statement along with the Directors Report and the Audited Statement of Accounts are appended to this report.

#### 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. There is no foreign exchange earnings and outgo during the year under report.

#### DIRECTORS

In accordance with the provisions of the Companies Act, 1956 and Articles of Association of the Company, Mr. M. V. Doshi retires by rotation and being eligible offers himself for reappointment.

#### AUDITORS' REPORT

As regards to the observation 3(e) and (f)(i) of Auditors in their report, the same are self explanatory.

The observation at (f) (ii) (a) and (b) in para 3 of their report are dealt with by Notes in Schedule 3 and Note 3 of Schedule 17 annexed to the Balance Sheet and Profit & Loss Account, which are self explanatory. The observation 3 (g) in their report, is self explanatory.

M/s. Ford, Rhodes, Parks & Co., Chartered Accountants, Mumbai, retire at the conclusion of the forthcoming Annual General Meeting. The Company has received a letter from them to the effect that their appointment, if made, would be within the prescribed limits under Section 224 (1-B) of the Companies Act, 1956. Your Directors recommend their re-appointment.

#### DIRECTORS' RESPONSIBILITY STATEMENT

As required under Section 217(2AA) of the Companies Act, 1956, the Directors hereby confirm that :

- in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- 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 ;
- 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;
- the Directors have prepared the annual accounts on a going concern basis.



## LKP Merchant Financing Limited

### CONSOLIDATED FINANCIAL STATEMENTS

In accordance with Accounting Standard AS-21, the Consolidated Financial Statements are furnished herewith and form part of this Report and Accounts. These statements have been prepared on the basis of audited financial statements received from the Subsidiary Company as approved by the respective Board of Directors.

### CORPORATE GOVERNANCE

The Report on Corporate Governance along with a Certificate of compliance from the Statutory Auditors and Management Discussion and Analysis Report forms part of this Report.

### ACKNOWLEDGEMENT

Your Directors would like to place on record their sincere appreciation to the Company's Bankers, Shareholders and Employees for their co-operation and support.

**For and on behalf of the Board of Directors**

( M. V. Doshi )  
Executive Chairman

Mumbai

Date: 30<sup>th</sup> July 2004

### MANAGEMENT DISCUSSION AND ANALYSIS

#### A) Industry structure and developments

The Company is impacted by the volatility of the Stock Markets. The last few years have seen an increasing integration of the Indian economy with global markets. The last year also witnessed several measures taken by the market regulators to make structural changes in the financial market. These changes have continued to strengthen the system and have continued to improve the operations in the financial market.

#### B) Opportunities and Threats

As an Investment Company, it has opportunities available in the Capital market. The falling interest rates over the last few years have given your Company an opportunity to offer services to Corporates for restructuring their Balance Sheets. This also gives opportunity to syndicate debt from Financial Institutions and Banks. With industrial activities showing signs of recovery, we are hopeful that our borrowers, against whom we have initiated legal actions for recovery of dues, will start making payments.

Investment business per se does not face threats but the various industries in which your Company has invested may face their specific threats.

#### C) Segment -wise Performance

The Company being engaged in investment activities and other financial services during the year under review, hence the requirement of segment- wise reporting is considered irrelevant.

#### D) Outlook

The outlook for the Company's business, depend on the performance of the Stock Markets, hence is very difficult to comment upon. Your Company is the holding Company for LKP Forex Ltd. and LKP Securities Ltd., both of which are doing reasonably well, in the prevailing circumstances.

#### E) Risk & Concerns

As an Investment Company, there are inherent risks and concerns to the business. The Company like any other Company is exposed to specific risks that are particular to its business and the environment within which its operates.

#### F) Internal Control Systems and their Adequacy

The Company has satisfactory internal control system, the adequacy of which has been mentioned in the Auditors' Report.

#### G) Human Resources

There has been no material development on the Human Resource/Industrial Relations front during the year. As on 31<sup>st</sup> March 2004 there are 11 people employed by the Company.

### REPORT ON CORPORATE GOVERNANCE

#### 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 31<sup>st</sup> March 2004 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 Meetings and last Annual General Meeting.

Director	No. of Board Meeting Attended	Whether Attended last AGM
Mr. M.V. Doshi	4	Yes
Mr. M.S. Bhise	4	Yes
Mr. V.N. Suchanti	2	Yes

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

Name other companies of Director	Directorship in	No. of committees which Chairman/Member
Mr. M.V. Doshi	9	2
Mr. M.S. Bhise	3	1
Mr. V.N. Suchanti	13	1

#### Profile of Director being appointed/re-appointed

Name	: Mr. Mahendra V. Doshi
Age	: 53 Years
Qualification	: MBA - U. S. A.
Expertise	: Vast experience in the field of Finance, Capital Market and Business Administration.
Particulars of Appointment/ Re-Appointment	: Mr. Mahendra V. Doshi is a promoter and is associated with company since inception. He was appointed as Executive Chairman w.e.f. 26 <sup>th</sup> July, 2001. Mr. M.V.Doshi retires by rotation at the ensuing Annual General Meeting and is proposed to be re-appointed as the Director of the Company.





## LKP Merchant Financing Limited

- Other : 1. Nilkamal Plastics Ltd.  
 Directorships 2. LKP Forex Ltd.  
 3. LKP Securities Ltd.  
 4. LKP Shares and Securities Ltd.  
 (Whole-Time)  
 5. MKM Share & Stock Borkers Ltd.  
 6. Bhavana Holdings Pvt. Ltd.  
 7. Doshi Holdings Pvt. Ltd.  
 8. Peak Plastonics Pvt. Ltd.  
 9. Sea Glimpes Investment  
 Pvt. Ltd.

*Chairman/ Member of Board of the Companies on which he is a Director	Name of the Company	Type of the Committee	Position held
	i LKP Merchant Financing Ltd.	i Share Transfer ii Audit	Chairman Member
	ii LKP Forex Ltd.	Banking Operation	Chairman
	iii Nilkamal Plastics Ltd.	Audit	Member

### Board Meeting

In financial year 2003-2004, the Board met four times. The Board meetings were held on 23<sup>rd</sup> May 2003, 30<sup>th</sup> July 2003, 31<sup>st</sup> October 2003, and 29<sup>th</sup> January 2004.

### 3. Audit Committee

The Board has set up Audit Committee having two Independent Directors Mr. Milan S. Bhise and Mr. Vineet N. Suchanti are members. Mr. Vineet N. Suchanti is the Chairman of the Audit Committee.

Audit Committee meetings were held on 23/5/2003, 30/7/2003, 27/10/2003 and 28/1/2004. 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.

### Sitting Fees

Directors	Board Meeting
1. Mr. Milan S. Bhise	Rs. 8000/-
2. Mr. Vineet N. Suchanti	Rs. 4000/-
3. Mr. M. V. Doshi	Nil

### 5. Shareholders Grievance Committee

The Board has set up Shareholders Grievance Committee having two Independent Directors Mr. Milan S. Bhise and Mr. Vineet N. Suchanti as members. Mr. Milan S. Bhise is the Chairman of the said Committee. Mr. Girish Innani, Company Secretary of the Company is compliance officer. There is no complaint which has remained unredressed. No transfer of shares is pending as on date.

M/s. V. Sunderam & Co., Practicing Company Secretaries is conducting Secretarial Audit for the Company.

### 6. General Body Meetings

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

Financial Year	Day	Date	Time
2002-2003	Saturday	12/7/2003	10.00 a. m.
2001-2002	Saturday	15/6/2002	10.00 a. m.
2000-2001	Monday	17/9/2001	10.00 a. m.

### Location

Annual General Meetings for the years 2002-2003 and 2000-2001 were held at M. C. Ghia Hall, Bhogilal Hargovindas Building, 18/20, K. Dubash Marg, Mumbai 400 001. Annual General Meeting for the year 2001-2002 was held at North Mini-Hall, Arcadia, Nariman Point, Mumbai 400 021.

### Business

Year	Special Resolution
2002-2003	Nil
2001-2002	To shift register of members, index of members, share transfer registers etc.
2000-2001	1. To appoint Shri M. V. Doshi as Executive Chairman. 2. To amend Other Object Clause. 3. To commence business pursuant to new object clause. 4. To amend Articles of Association. 5. To ratify authority exercised by the Board pursuant to section 372(1)(b) of the Companies Act, 1956.

During the last year, there was no business which had to be conducted through a postal ballot. At present, the Company does not have any resolution to be decided by the members by postal ballot.

### 7. Disclosure

- There are no related party transactions made by the Company with its Promoters, Directors or Management, their subsidiaries or relatives other than that mentioned in notes to the accounts. 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 first quarter and half-yearly results were published in Free Press Journal and Nav-shakti and third and fourth quarter results in Business Standard and Tarun Bharat dailies. These are not sent individually to the shareholders.
- The Company's results or official news are not displayed on a 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.

### 9. General Shareholder Information

AGM Date, Time and Venue Saturday, 11<sup>th</sup> September, 2004 at 10.00 a.m. at M.C. Ghia Hall, Bhogilal Hargovindas Building, 18/20, K. Dubash Marge, Mumbai 400 001.

Financial Calendar April to March  
 Announcement of Audited/ Unaudited Results (tentative)  
 1<sup>st</sup> Quarter - Last week of July  
 2<sup>nd</sup> Quarter - Last week of October  
 3<sup>rd</sup> Quarter - Last week of January  
 4<sup>th</sup> Quarter - Last week of June  
 Book Closure 6<sup>th</sup> September 2004 to 11<sup>th</sup> September 2004 (Both days Inclusive)



## LKP Merchant Financing Limited

Dividend payment date Not applicable

Listing on Stock Exchange The Stock Exchange, Mumbai (Code-507912). The Company has paid the listing fees for the period from 1<sup>st</sup> April 2004 to 31<sup>st</sup> March 2005. An appeal has been pending with Securities and Exchange Board of India against the Stock Exchange, Ahmedabad subsequent to their refusal for accepting voluntary delisting application.

Demat ISIN No. for Depositories INE 724A01017

### Market Price Data

High/Low of market price of the Company's shares traded in the Stock Exchange, Mumbai, during the financial year 2003-2004 is furnished below :

Month & Year		Company's Share Price	
		High	Low
April	2003	3.00	1.65
May	2003	3.00	1.90
June	2003	3.12	2.10
July	2003	4.45	2.50
August	2003	7.92	3.35
September	2003	6.05	2.42
October	2003	3.25	1.91
November	2003	3.55	1.90
December	2003	5.65	2.60
January	2004	5.90	3.35
February	2004	3.95	2.56
March	2004	3.50	2.15

### Registrar and Share Transfer Agents

M/s. Adroit Corporate Services Private Limited  
19, Jafarbhoy Industrial Estate, 1<sup>st</sup> Floor,  
Makawana Road, Marol Naka,  
Andheri ( East) Mumbai 400 059.

### Share Transfer System

All the Share transfers 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 31<sup>st</sup> March 2004

No of Shares			No of Holders	% to total	No of Share	% to total
1	to	500	8312	84.82	1263050	9.87
501	to	1000	693	7.07	555333	4.34
1001	to	2000	373	3.81	563658	4.40
2001	to	3000	115	1.17	288287	2.25
3001	to	4000	70	0.71	245861	1.92
4001	to	5000	49	0.50	232222	1.81
5001	to	10000	110	1.12	772700	6.04
10001	and above		77	0.80	8878889	69.37
<b>Total</b>			<b>9799</b>	<b>100.00</b>	<b>12800000</b>	<b>100.00</b>

### Dematerialization of equity Shares and liquidity

As on 31<sup>st</sup> March 2004, 87.78 % of the Company's total shares represented by 1,12,35,461, shares were held in dematerialized form.

### Share holding pattern as on 31<sup>st</sup> March 2004

Category	No. of shares held	% of share holding
1 Indian Promoters/ Persons Acting in concert	7227583	56.46
2 Mutual Funds And UTI	251400	01.96
3 Banks, Financial institutions, Insurance Companies	3150	00.02
4 Private Corporate Bodies	348160	02.72
5 Indian Public	4618959	36.10
6 NRIs / OCBs	295257	02.31
7 Other (In transit)	55491	00.43
<b>Total</b>	<b>12800000</b>	<b>100.00</b>

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: 30<sup>th</sup> July, 2004.

(M. V. Doshi)  
Executive Chairman

### AUDITORS' CERTIFICATE

We have examined the compliance of the conditions of Corporate Governance by LKP Merchant Financing Limited for the year ended 31<sup>st</sup> March 2004 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 31<sup>st</sup> March 2004, no investor grievances are pending against the Company as on 30<sup>th</sup> July, 2004 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

Mumbai  
Date: 30<sup>th</sup> July, 2004

(A. D. Shenoy)  
Partner



## LKP Merchant Financing Limited

### Auditors' Report

We have audited the attached Balance Sheet of LKP Merchant Financing Limited as at 31<sup>st</sup> March 2004 and also the Profit & Loss Account of the Company for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material 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 The Company's accumulated losses as on 31<sup>st</sup> March 2004 have eroded the entire share capital and major portion of the reserves. As the company is in the process of restructuring its business activities, the accounts are continued to be prepared on "going concern" basis (refer note no 6).**

**2** As required by the Companies (Auditors Report) Order, 2003, issued by the Central Government of India in terms of section 227 (4A) of the Companies Act, 1956 (the Act) 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 this 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.
- (e) The company has failed to redeem its debentures and interest dues thereon. The same have become overdue for payment as at 31<sup>st</sup> March 2004. One of the directors of the company has been legally advised that defaults in repayment of above privately placed debentures to a financial institution and a bank are outside the scope of section 274 (1) (g) of the Companies Act, 1956. The written representation of the director has been taken on record by the Board of Directors. On the basis of written representations received from the directors, as on 31<sup>st</sup> March, 2004 and taken on record by the Board of Directors, we report that none of the directors are disqualified as on 31<sup>st</sup> March, 2004 from being appointed as a Director in terms of clause (g) of the sub-section (1) of Section 274 of the Companies Act, 1956.

**(f) (i) The company has incorporated self generated intangible asset namely "LKP FOREX" Trade Mark based on valuation by Chartered Accountants as at 31<sup>st</sup> March, 2004 at Rs 20.95 crores by adding to the Fixed Assets of the company and giving corresponding credit to the Capital Reserves. This is not in line with the Accounting Standard 26 pronounced by the Institute of Chartered Accountants of India which states that internally generated goodwill, brands, mastheads etc should not be recognized as an asset.**

**(ii) No provision has been made for the following:**

**(a) Cumulative non provision of accrued interest on non-convertible debentures amounting to Rs 21.08 crores (accrued interest relating to the year is Rs 5.68 crores) for reasons stated in (note (ii) of Schedule 3 f the Balance Sheet).**

**(b) Accrued interest of Rs 0.13 crores (previous year Rs 0.13 crores) on the intercorporate deposits for reasons stated in note no 3 of the notes to the accounts (Schedule 17).**

**The loss for the year is thus understated to the extent stated above.**

**(g) Reference is invited to note no 2 (b) regarding unsecured old loans amounting to Rs 578.38 lacs (Previous year Rs 595.94 lacs) where there are very slow recovery of principal/interest. Though the company is making efforts to realize these loans it may face difficulty in realizing the same.**

**4.** Subject to matters stated in paragraph 1, 3 (f) (i)(ii) 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 by the Companies Act, 1956 in the manner so 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 31<sup>st</sup> March 2004.

**(b)** In the case of the Profit and Loss Account - of the loss for the year ended on that date.

**(c)** In the case of Cash Flow Statement of the Cash Flows for the year ended on that date.

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

Mumbai  
Date: 30<sup>th</sup> July 2004

**A. D. SHENOY**  
Partner

### Annexure Referred to in Paragraph 2 of the Report

- 1. (a)** The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- (b)** The fixed assets have been physically verified by the management during the year. As explained to us no discrepancies were noticed on such verification.
- (c)** During the year the company has not disposed off any substantial part of fixed assets so as to affect the going concern.
- 2.** The company does not have any stock of raw materials, stores, spare parts, finished goods and therefore clause ii (a), (b), (c) (of the Order) are not applicable.
- 3. (a)** The company has not taken any loans, secured or unsecured from Companies, firms or any other parties covered in the register maintained under section 301 of the Companies Act, 1956. During the year the company has not granted any loans to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956, however, there are debit balances as at 31<sup>st</sup> March 2004 with respect to two subsidiary companies, which are outstanding. The maximum amount involved in such transactions at any time during the year and the year end debit balance of such parties was Rs 408.77 lacs and Rs 408.77 lacs respectively. The unsecured loans granted to three companies and a firm during earlier years are outstanding at the end of the year. The maximum amount involved in such transactions at any time during the year and the year-end balance of the loans granted to these parties was Rs 1739.68 lacs and Rs 1490.35 lacs respectively.





## LKP Merchant Financing Limited

- (b) As explained to us there are no terms and conditions fixed on loans / advances granted to companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956 and no interest is charged on such loans.
- (c) As there are no stipulation for repayment of loans / advances the parties are not regular in repayment of the loans / advances. During the year the company has received Rs 249.33 lacs as repayment from these parties.
4. 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 for the purchase of fixed assets. During the course of our audit, we have neither come across nor have we been informed of any major weaknesses in the aforesaid internal control procedures.
5. (a) On the basis of our examination of the books of account and according to the information and explanations provided by the Management, we are of the opinion that the transactions that need to be entered into the register in pursuance of Section 301 of the Act have been so entered in the said register.
- (b) In our opinion and according to the information and explanations given to us there are no transactions aggregating in value during the year to more than 5 lac rupees with parties referred to in the aforesaid register.
6. The company has not accepted any deposits from the public within the meaning of the provision of Section 58A and 58 AA of the Act.
7. The company has an internal audit system, which, in our opinion, is commensurate with its size and nature of its business.
8. The Company is a Loan and Investment Company hence clause 8 of the Order is not applicable.
9. (a) According to the information and explanations given to us by the Management and on the basis of the examination of the books of account carried out by us, the Company has been regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees State Insurance, Income Tax, Sales Tax, and the statutory dues with the appropriate authorities. There were no undisputed arrears of statutory dues outstanding as at 31<sup>st</sup> March, 2004 for a period of more than Six months from the date they became payable.
- (b) According to the information and explanations given to us by the Management and the records of the company examined by us there were dues of income tax which have not been deposited as at 31<sup>st</sup> March, 2004 on account of dispute as under;
- | Nature of dues pending       | Amount        | Forum where dispute is |
|------------------------------|---------------|------------------------|
| Income Tax (Asst yr 2000-01) | Rs 70.00 lacs | Appellate Tribunal     |
10. The accumulated losses of the company as at 31<sup>st</sup> March 2004 are more than 50% of its net worth. It has not incurred cash losses during the financial year ended on that date but had incurred cash losses in the immediately preceding financial year.
11. Based on our audit procedures and the information and explanations given to us by the Management, we are of the opinion that the Company has defaulted in repayment of its dues to a Financial Institution and a Bank during the year. Details are as under:
- | Name of the Lender        | Nature of amount Defaulted     | Period of default since | Amount of default |
|---------------------------|--------------------------------|-------------------------|-------------------|
| (a) Unit Trust of India   | (i) Non Convertible Debentures | —                       | 790.67 lacs       |
|                           | (ii) Term Loans & UTN's        | —                       | 122.80 lacs       |
| (b) Global Trust Bank Ltd | Non Convertible Debentures     | 28.3.2004               | 6052.60 lacs      |
- (Refer notes in Schedule 3 of the Balance Sheet) .
12. As per the books and records of the company examined by us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. Clause 13 of the Order is not applicable as the company is not a Chit Fund company or nidhi/mutual benefit fund /society.
14. In our opinion the Company has maintained proper records of transactions and contracts in respect of dealing and trading in shares, securities, debentures and other investments during the year and timely entries have been generally made therein. All shares, debentures and other investments have been held by the company in its own name.
15. The company has given a guarantee for loan taken by a company from a bank, the terms and conditions, whereof, in our opinion, are not prima facie prejudicial to the interest of the Company.
16. On the basis of our review of utilization of funds pertaining to term loans on overall basis and related information and explanations as made available to us, the term loans taken by the Company have been applied for the purpose for which they were obtained.
17. According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that no funds raised on short term basis have been used for long term investments. No long term funds have been used to finance short term assets. However out of the Non Convertible Debentures of Rs 60.00 Cores raised from a Bank, substantial portion has been utilized to fund business losses in the earlier years.
18. The Company has not made any preferential allotment of shares during the year and therefore, paragraph 4 (18) of the Order is not applicable.
19. The Company has not issued any debentures during the year and therefore paragraph 4(19) of the Order is not applicable.
20. The Company has not raised any money by way of public issue during the year and therefore paragraph 4(20) of the Order is no applicable.
21. According to the information and explanations given to us, no fraud on or by the company has been noticed or reported during the course of the audit.

For FORD, RHODES, PARKS & CO.  
Chartered Accountants

Mumbai  
Date: 30<sup>th</sup> July 2004

A. D. SHENOY  
Partner


**LKP Merchant Financing Limited**
**BALANCE SHEET AS AT 31ST MARCH, 2004.**

	Schedule	Rs in Lacs	Rs in Lacs	As at 31-3-2003 Rs in Lacs
<b>I SOURCES OF FUNDS :</b>				
<b>1. Shareholders Funds</b>				
a. Share Capital	1	1,530.00		1,530.00
b. Reserves and Surplus	2	4,600.16		2,505.16
			<b>6,130.16</b>	<b>4,035.16</b>
<b>2 Loan Funds</b>				
a. Secured Loans	3	6,956.07		6,997.23
b. Unsecured Loans	4	770.18		1,004.43
			<b>7,726.25</b>	<b>8,001.66</b>
<b>TOTAL</b>			<b>13,856.41</b>	<b>12,036.82</b>
<b>II APPLICATION OF FUNDS :</b>				
<b>1. Fixed Assets</b>	5			
a. Gross Block		6,572.34		4,281.84
b. Less : Depreciation		3,374.50		3,355.13
c. Net Block			3,197.84	926.71
d. Capital Work-in -Progress			—	190.62
<b>2. Investments</b>	6		1,339.90	1,476.75
<b>3. Current Assets, Loans &amp; Advances</b>				
a. Stock on hand	7	10.39		10.39
b. Sundry Debtors	8	—		81.65
c. Cash & Bank Balances	9	37.68		2.94
d. Loans & Advances	10	6,302.79		6,818.48
		6,350.86		6,913.46
<b>Less : Current Liabilities and Provisions</b>				
a. Liabilities	11	595.04		1,023.66
b. Provisions	12	169.49		169.49
		764.53		1,193.15
<b>Net Current Assets</b>			<b>5,586.33</b>	<b>5,720.31</b>
<b>4. Miscellaneous Expenditure</b>	13		—	3.28
<b>5. Profit &amp; Loss-Debit Balance</b>			3,732.34	3,719.15
<b>TOTAL</b>			<b>13,856.41</b>	<b>12,036.82</b>
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<b>SCHEDULES 1 TO 19 ANNEXED HERETO FORM PART OF THE BALANCE SHEET AND PROFIT &amp; LOSS ACCOUNT</b>				

As per our Report attached.

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

**A. D. Shenoy**  
Partner

Mumbai  
Dated : 30th July, 2004.

**Executive Chairman**  
**Director**  
**Director**
**M. V. Doshi**  
**M. S. Bhise**  
**V. N. Suchanti**

Mumbai  
Dated : 30th July, 2004.