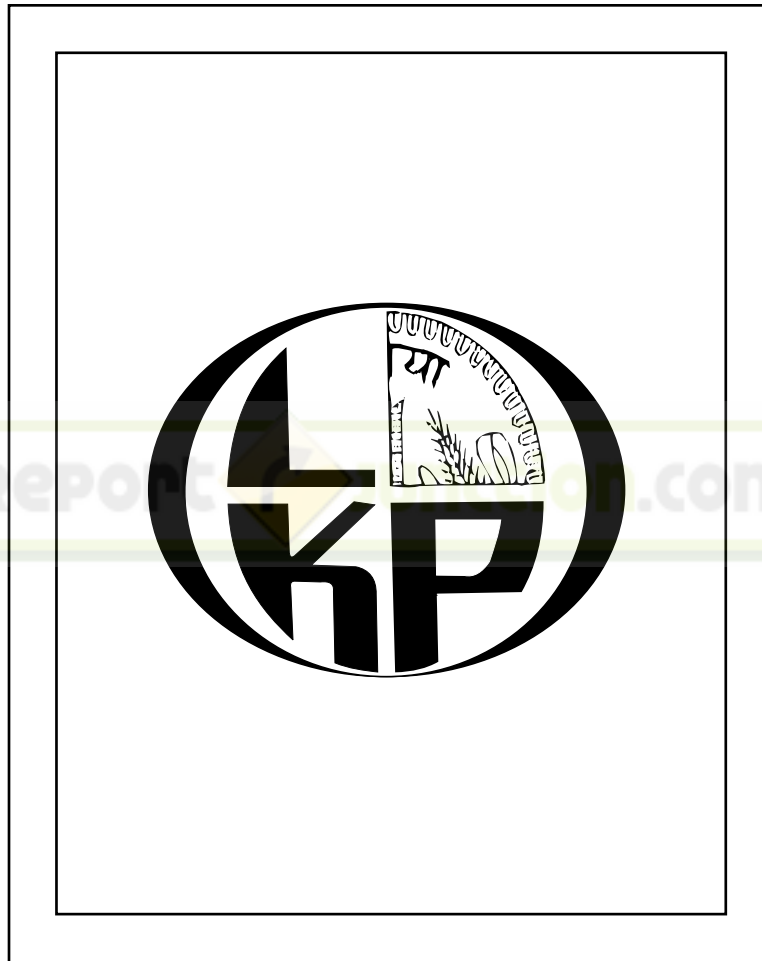


LKP Merchant Financing Limited



ANNUAL REPORT 2006-2007

LKP MERCHANT FINANCING LIMITED

Board of Directors :

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

Company Secretary :

Mr. G. B. Innani

Auditors :

Ford, Rhodes, Parks & Co.,
 Sai Commerical Building,
 312 / 313, 3rd Floor,
 BKS Devshi Marg,
 Govindi (East),
 Mumbai - 400 088.

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CONTENTS

Registered Office :

203, Embassy Centre,
 Nariman Point,
 Mumbai - 400 021.
 Tel. : 4002 4785 / 4002 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 / 28594060

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*Annual General Meeting on 6th August 2007 at
 10.30 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 Twenty Third 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 Monday, 6th August 2007 at 10.30 a.m. to transact the following business:

ORDINARY BUSINESS:

1. To consider and adopt the Audited Balance Sheet and Profit and Loss Account for the year ended 31st March 2007 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.

SPECIAL BUSINESS

4. To consider and if thought fit to pass with or without modification, the following resolution as a Special Resolution: "RESOLVED THAT in accordance with the provisions of Sections 198, 269, 309 and 310 read with Schedule XIII and all other applicable provisions of the Companies Act, 1956 (including any statutory modification(s) or re-enactment thereof, for the time being in force), the consent of the Company be and is hereby accorded to the payment of remuneration to Shri Mahendra V. Doshi, who has been re-appointed as an Executive Chairman of the Company by the Special Resolution passed at the last annual general meeting of the Company held on 2nd September 2006;

RESOLVED FURTHER THAT the terms and conditions including remuneration as set out in the draft Agreement to be entered into between the Company and Mr. Mahendra V. Doshi the same is hereby approved (main terms of which are contained in the Explanatory Statement hereto) with liberty to the Board of Directors (including its Committee to be constituted for the purpose) to enhance the said remuneration from time to time with or without alter and vary the terms and conditions of the said re-appointment and/or remuneration thereto and as may be specified by the Central Government while granting its approval wherever applicable;

RESOLVED FURTHER THAT the said remuneration and perquisites be payable as minimum remuneration, notwithstanding that in any financial year of the Company during the remaining term of his office as a Executive Chairman, the Company may make no profits or the profits made are inadequate;

RESOLVED FURTHER THAT the Board of Directors be and are hereby authorised to take all such steps as may be necessary, proper or expedient to give effect to this resolution."

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 31st July 2007 to 6th August 2007 (both days inclusive)
- (4) The explanatory statement setting out the material facts concerning special business at item no. 4 of the above notice as

required by section 173 of the Companies Act, 1956 is annexed hereto.

- (5) 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: 21st June 2007

(M. V. Doshi)

Executive Chairman

Explanatory Statement pursuant to section 173(2) of the Companies Act, 1956

Item No. 4.

Shri Mahendra V. Doshi, has been re-appointed as an Executive Chairman of the Company for a period of 5 years with effect from 26th July 2006 by the Special Resolution passed at the last annual general meeting of the Company held on 2nd September 2006. Mr. Mahendra V. Doshi has opted not to draw any remuneration from the Company up to financial year ending 31st March 2007. The Board of Directors of the Company in their meeting held on 21st June 2007, subject to consent of members, has approved with effect from 1st July 2007, the terms and conditions and remuneration, which are given below.

The profile of Mr. Mahendra V. Doshi is given in the Corporate Governance Report which is part of this Annual Report.

1. Shri Mahendra V. Doshi is designated as Executive Chairman of the Company. He is also responsible and incharge for the management of the Company's affairs on day-to-day basis.
2. Salary Rs. 3,00,000/- (Rs. Three Lacs only) per month as consolidated.
3. In addition to Salary, Mr. Mahendra Doshi will also be entitled for Annual Performance Incentive, to be decided by the Board of Directors/ Remuneration Committee from time to time based on performance criteria to be fixed by the Board for each financial year within the maximum amount payable in accordance with the provisions of the Companies Act, 1956 or any amendments/approvals hereafter in this regard;
4. Perquisites:
 - I. House Rent Allowance in accordance with the rules of the Company.
 - II. Medical Reimbursement :
Reimbursement of Medical Expenses incurred by him for self and family subject to the ceiling of Rs. 1,00,000/-(Rs. One Lac Only) in a year.
 - III Leave Travel Allowance :
Leave Travel Allowance for him and his family, once in a year up to a sum of Rs. 40,000/-(Rs. Forty Thousand only) per year, incurred in accordance with the rules of the Company.
 - IV Club Fees:
Fees of clubs subject to a maximum of two clubs. This will not include admission and life membership fees.
 - V Provident Fund, Super-annuation Fund and Gratuity :
Company's Contribution to Provident Fund, Super-annuation Fund and Gratuity as per rules of the Company payable to Mr. Mahendra V. Doshi will not be considered for calculating the limit of perquisites.



LKP Merchant Financing Limited

VI Car and Telephones:

Provision of car with chauffeur for use on Company's business and telephone, mobile and communication facilities like Internet at residence shall not be considered as perquisites. The personal long distance calls on telephone and car for private purpose shall be billed by the Company.

VII Leave:

Leave on full pay and allowance, as per the rules of the Company, but not more than one month's leave for every eleven months of service. However, leave accumulated but not availed of will not be allowed to be encashed.

VIII Period:

Three years commencing from 1st July 2007.

5. The Executive Chairman shall be entitled to compensation for loss of office as provided in Section 318 of the Companies Act, 1956.
6. No Sitting Fees shall be paid to the Executive Chairman for attending meeting of the Board of Directors or any Committee of the Board.
7. The Contract is terminable by either the Board of Directors or by Mr. Mahendra V. Doshi giving to the other 90 days notice in writing.
8. The above remuneration and perquisites are payable as minimum remuneration, notwithstanding that in any financial year of the Company during the remaining term of his office as the Manager, the Company may make no profits or the profits made are inadequate.

The Board believes that the Company has grown extensively under the guidance of Mr. Mahendra V. Doshi and that he possesses the necessary expertise and experience to accelerate the Company's operation and achieve its vision and hence recommends the resolution appearing at item no. 4 of the notice for your approval.

The notice may also be treated as the abstract of modification/alteration in respect of appointment of Shri Mahendra V. Doshi under section 302 of the Companies Act, 1956.

Except Mr. Mahendra V. Doshi, none of the Directors of the Company is in any way, concerned or interested in the said resolution.

The draft agreement proposed to be entered into between the Company and Mr. Mahendra V. Doshi is available for inspection by the members at the Registered Office of the Company on all working days between 11.00 a.m. to 2.00 p.m. up to the date of the ensuing Annual General Meeting.

(Item No. 4) Information pursuant to proviso (iv) schedule (B) and (C) Part II of Schedule XIII of the Companies Act, 1956.

I GENERAL INFORMATION:

- (1) Nature of industry:
The Company is a Non Banking Financial Company (NBFC). The main business of the Company is Merchant Financing, investment in securities and dealing in shares, debentures etc .
- (2) Date or expected date of commencement of commercial production:
As the Company is not manufacturing Company, the same is not applicable.
- (3) Financial Performance:
During the year ended 31st March 2007 the Company achieved total Income of Rs. 591.49 Lacs , the loss before depreciation and tax of Rs. 662.25 Lacs and Net loss after tax of Rs. 688.22 Lacs. The detail financial performance of the Company is

discussed in the enclosed Annual Report for the year ended 31st March 2007.

- (4) Export Performance and net foreign exchange collaborations:
Nil. No foreign collaborations

- (5) Foreign investments or Collaborators:

There is no foreign investments or collaborators in the Company.

II INFORMATION ABOUT APPOINTEE AND OTHER INFORMATION:

- (1) Background Detail
The profile of Mr. Mahendra V. Doshi is given in the Corporate Governance Report which is part of this Annual Report.

- (2) Past Remuneration

Nil. Mr. Mahendra V. Doshi opted not to draw any remuneration up to 30th June 2007.

- (3) Recognition or awards
Nil.

- (4) Job profile and suitability

Shri Mahendra V. Doshi shall be responsible for the day today operation of the Company under the superintendence, directions and control of the Board. He is a promoter of the company and associated as a Director since inception. He is functioning as an Executive Chairman of the Company since 26th July 2001.

- (5) Remuneration proposed

As mentioned above under explanatory statement.

- (6) Comparative remuneration profile with respect to industry, size of the Company, profile of the position and person

Keeping in view the type of the industry, size of the Company, the responsibilities and capabilities of Shri Mahendra V. Doshi, the proposed remuneration is competitive with the remuneration paid by other companies to such similar positions.

- (7) Pecuniary relationship with the Company, or relationship with the managerial personnel

Shri Mahendra V. Doshi is the promoter of the Company.

III OTHER INFORMATION:

- (1) Reasons of loss or inadequate profits

Loss has arisen due to absence of license fees and interest cost incurred on a financial facility availed for settling the dues of a Financial Institution and a Bank.

- (2) Steps taken /to be taken for improvement

The Company proposes to repay the said financial facility in the next few months. The Company continues its efforts to generate non-fund based business. Also Company continues to make all efforts to recover over-dues from the clients by negotiations or by resorting to legal recourse.

- (3) Expected increase in productivity and profits

The prospects for the financial year 2007-2008 seems to be encouraging and management is optimistic of achieving improvement in performance.

IV DISCLOSURES:

The detail required to be furnished under the Disclosures, is already provided wherever applicable under Explanatory Statement and Corporate Governance Report.

By Order of the Board of Directors

Mumbai

Date: 21st June 2007

(M. V. Doshi)

Executive Chairman



LKP Merchant Financing Limited

DIRECTORS' REPORT

The Directors present the Twenty Third Annual Report and Audited Accounts of the Company for the year ended March 31, 2007.

FINANCIAL RESULTS

	2006 – 2007 (Rs. in lacs)	2005 – 2006 (Rs. in lacs)
Profit /(loss) subject to Depreciation & Tax	(662.25)	1284.83
Less/(Add): Depreciation	(24.00)	25.51
Profit / (Loss) before tax	(686.25)	1259.32
Extraordinary Item (Interest)	–	305.74
Less/(Add): Provision for Tax & Fringe Benefit Tax	(1.97)	80.00
Profit / (Loss) after tax	(688.22)	873.58
(Loss) brought forward from previous year	(2220.54)	(3344.12)
Balance carried to Balance Sheet	(2908.76)	(2220.54)

DIVIDEND

In view of losses the Board regrets its inability to recommend any dividend for the year.

PERFORMANCE REVIEW

The Company's income has reduced from Rs. 1458.00 lacs to Rs. 591.49 lacs. This is primarily because the license fees which was being received for licensing of Trade Mark to LKP Forex Ltd. was discontinued in view of amalgamation of LKP Forex Ltd. with Thomas Cook (India) Ltd. with effect from 1st April 2006. The Company has incurred net loss of Rs.688.22 lacs as against net profit of Rs. 873.58 lacs for the previous year. This has arisen due to absence of license fees and interest cost incurred on a financial facility availed for settling the dues of a Financial Institution and a Bank. The Company proposes to repay the said financial facility in the next few months. The Company continues its efforts to generate non-fund based business. Also your Company continues to make all efforts to recover over-dues from the clients by negotiations or by resorting to legal recourse.

During the year under review Company's subsidiary, LKP Forex Ltd. amalgamated with Thomas Cook (India) Ltd with effect from 1st April 2006, as per the order dated 12th January 2007, issued by Hon'ble Bombay High Court.

Your Company's wholly owned subsidiary, LKP Securities Ltd. has also increased its branch network. LKP Securities Ltd. operates through a network of branches in more than 54 cities and towns in India.

FIXED 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

Pursuant to section 212 of the Companies Act, 1956, the relevant Statement along with the Directors Report and the Audited Statement

of Accounts of LKP Securities Ltd., a wholly owned subsidiary of the Company is appended to this report.

In May 2007, the Company has acquired 59,54,000 (99.23%) Equity Shares of M/s LKP Shares and Securities Limited (**a BSE Member**) in terms of Special Resolution passed at the 22nd Annual General Meeting of the Company held on 2nd September 2006. Hence consequent to the said acquisition of Equity Shares, LKP Shares and Securities Limited has become a Subsidiary Company of LKP Merchant Financing Limited.

The Board of Directors of the Company approved and accepted the Valuation Report dated 19th March 2007 prepared by M/s. M/s Haribhakti MRI Corporate Services Private Limited, for the proposed Amalgamation of LKP Shares and Securities Limited into LKP Securities Limited (**a Wholly Owned Subsidiary of the Company and Member of NSE**), in order to consolidate and merge the broking operations of both entities. The details of the swap ratio (as contained in the Valuation Report) in relation to the said amalgamation is as follows:

- 1 (One) Equity Shares of LKP Securities Limited (**Transferee Company**) for every 2 (Two) Equity Shares of LKP Shares and Securities Limited (**Transferor Company**).

The Board of Directors of the Company has also approved the Scheme of Amalgamation of LKP Shares and Securities Limited, into **LKP Securities Limited (a wholly owned subsidiary Company)** in terms of Sections 391 – 394 and other applicable provisions of the Companies Act, 1956 with effect from April 1, 2006 subject to approval of the Stock Exchanges, Mumbai High Court and other concerned regulatory authorities.

AMALGAMATION OF LKP FOREX LIMITED INTO THOMAS COOK (INDIA) LIMITED

As reported in the last Annual Report, Hon'ble High Court of Bombay has sanctioned amalgamation of LKP Forex Limited, into Thomas Cook (India) Limited (TCIL) with effect from 1st April 2006. As per the Scheme of Amalgamation the Company has received by way of consideration from Thomas Cook (India) Ltd. the following:

- Redeemable Preference Shares of Thomas Cook (India) Ltd. aggregating value of Rs. 95.43 Crores.
- 14,94,900 Equity Shares of Rs. 10/ each of Thomas Cook (India) Ltd. (Subsequently split into 1,49,49,000 Shares of Rs. 1/- each)
- Rs. 2 Crores as non compete fee.

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.



LKP Merchant Financing Limited

The Board of directors in their meeting held on 21st June 2007, resolved the payment of remuneration as setout under agenda 4 of the Notice, with effect from 1st July 2007, to Mr. M. V. Doshi, Executive Chairman of the Company.

AUDITORS' REPORT

Observation 1 and 3(f)(i) of the Auditors in their Report are self explanatory.

As regards Observation 3(g), as mentioned in the Note 4 b) of Schedule 16, the Company has received Rs. 367.05 lacs during the financial year 2007-2008.

Observation 3(f) (ii) of the Auditors in their Report is dealt with by Note 5 of Schedule 16 annexed to the Balance Sheet and Profit & Loss Account, which 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 :

- 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.

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 its Board of Directors.

CORPORATE GOVERNANCE

The Report on Corporate Governance along with a Certificate of compliance from the 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 Shareholders and Employees for their co-operation and support.

For and on behalf of the Board of Directors

Mumbai

Date: 21st June 2007

(M. V. Doshi)

Executive Chairman

Statement Pursuant to Section 212 of the Companies Act, 1956 Giving Requisite Particulars of its Subsidiary Company

1. Name of the Subsidiary Company	LKP Securities Ltd
2. Financial Year ending	31.3.2007
3. Date from which the Company became a subsidiary.	1.4.95
4. Extent of Holding Company's interest in the subsidiary Company's Shareholding	100%
	Rs in Lacs
5. Net aggregate amount of the Subsidiary's profits after deducting its losses or vice versa so far it concerns members of the Holding Company.	
– Profits /Losses not dealt with in the Holding Company Accounts	
a. for the financial year of the subsidiary	39.84
b. for the previous financial years since it became the Holding Company's Subsidiary	350.72
Profits dealt with or (Losses) provided for in the holding Company Accounts.	
a. for the financial year of the Subsidiary	–
b. for the previous financial years since it became the holding Company's subsidiary	--

Note : LKP Forex Ltd has ceased to be a subsidiary with effect from 01.04.2006.

Executive Chairman

M.V.Doshi

Director

M.S.Bhise

Director

V.N.Suchanti

Mumbai

Dated : 21st June,2007.



LKP Merchant Financing Limited

MANAGEMENT DISCUSSION AND ANALYSIS

Industry structure and developments

Your company being an investment company is impacted by the movements of the stock markets. The last few years have seen an increased integration of the Indian economy with the global markets which leads to the Indian stock markets being impacted by significant globe developments. Over the last decade, the market regulators have taken various measures which have improved the functioning and transparency of the stock markets.

Opportunities and Threats

Your company being an investment company seeks opportunities in the capital market. During the last year, interest rates have hardened as was expected. We do expect some volatility in the interest rates in the current year. Your company continues to explore opportunities to offer services to corporates for restructuring their Balance sheets and for syndicating debts from Financial Institutions and Banks.

With Industrial activities continuing to grow, we are optimistic that the borrowers against whom we have initiated legal action for recovery of dues, will start making payments.

Segment-wise Performance

The company being a holding company is engaged in investment activities and hence the requirement of segment-wise reporting is considered irrelevant.

Outlook

During the accounting year 2006-07, your company's erstwhile subsidiary, LKP Forex Ltd. was merged with Thomas Cook (India) Ltd.

During May 2007, your company has acquired over 99.23 % stake in LKP Shares & Securities Ltd. ("LKP SS") thereby making it a subsidiary of your company. LKP SS is a member of the Bombay

Stock Exchange Limited and offers the full range of broking services for capital markets and Futures and Options market. It is also a Depository Participant and offers value added services like Equity Research to its clientele. LKP SS has been consistently ranked amongst the top 15 brokers for mobilizing funds in the IPO market. LKP SS also offers investment banking services.

Members are aware that the company is a holding company for LKP Securities Ltd. which is a member of the National Stock Exchange Ltd.

The proposal mooted last year for the merger of LKP Shares and Securities Ltd. and LKP Securities Ltd. is under active implementation. The merger will be with effect from 1st April, 2006 after receiving approvals from the Hon'ble Bombay High Court and of the regulatory authorities.

During the current year, the company will repay its major outstanding loan of Rs.90 crores as shown in the Balance Sheet as of 31st March, 2007. It is expected that your company will become debt free as of 31st March, 2008 thereby ensuring that your company does not face any pressure of interest and debt repayment.

With the planned merger of your company's two subsidiaries, and the stock markets remaining buoyant, the outlook for your company's performance appears to be positive.

Internal Control Systems and their adequacy

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

For and on behalf of the Board of Directors

Mumbai
Date: 21st June 2007

(M. V. Doshi)
Executive Chairman

REPORT ON CORPORATE GOVERNANCE

1. Company's philosophy on Corporate Governance

The LKP Group, to which the Company belongs, is committed to ethical values and self discipline through standards of good governance aiming at efficient conduct of the business in meeting its obligations to the shareholders. The Board of Directors of the Company has adopted the Code of Conduct for its members and senior management executives.

2. Board of Directors

Composition

The composition and category of Directors as on 31st March 2007 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	7	Yes
Mr. Milan S. Bhise	7	Yes
Mr. Vineet N. Suchanti	7	Yes

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	10	2 3
Mr. Milan S. Bhise	Nil	1 1
Mr. Vineet N. Suchanti	7	1 2

Profile of Director being Re-appointed:

Name : Mr. Mahendra V. Doshi
Age : 57 Years
Date of Appointment : 5th May 1984



LKP Merchant Financing Limited

Qualification : MBA – U. S. A.

Expertise Mr. Mahendra V. Doshi is the promoter of the Company and is associated with Company since inception. He was appointed as Executive Chairman w.e.f. 26th July, 2001. He has over 30 years vast experience in the field of Finance, Capital Market and Business Administration. 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.

Other Directorships

1. Nilkamal Ltd.
2. G L Hotels Ltd.
3. Thomas Cook (India) Ltd.
4. LKP Securities Ltd.
5. LKP Shares and Securities Ltd. (Whole-Time)
6. MKM Share & Stock Borkers Ltd.
7. Bhavana Holdings Pvt. Ltd.
8. LKP Holdings Pvt. Ltd.
9. Peak Plastonics Pvt. Ltd.
10. Sea Glimpse Investment Pvt. Ltd.

*Chairman/Member: ➤ LKP Merchant Financing Ltd.
of Committee of the i Share Transfer Committee-
Board of the Chairman
Companies on which ii Audit Committee-Member
he is a Director as ➤ G L Hotels Ltd.
on 21st June 2007. i Audit Committee -Chairman
ii Shareholders & Investors Grievance
Committee-Member
➤ Nilkamal Plastics Ltd.
Audit Committee- Member

Board Meeting

In financial year 2006-2007, the Board met seven times. The Board meetings were held on 30th June 2006, 17th July 2006, 31st July 2006, 10th August 2006 30th October 2006, 31st January 2007 and 21st March 2007.

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 and was present at the last Annual General meeting. Mr. M. V. Doshi is also a Member of Audit Committee.

Audit Committee meetings were held on 30th June 2006, 31st July 2006, 30th October 2006 and 31st January 2007. All the members have attended the aforesaid meetings. The Statutory Auditors were the invitees to the above meetings. The scope of activities and powers of Audit Committee includes the areas prescribed under the Clause 49 of the Listing Agreement and section 292A of the Companies Act, 1956.

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 for the financial year under review. At present, Independent Directors are not paid any remuneration.

Sitting Fees

Directors	Board Meeting
1. Mr. Milan S. Bhise	Rs. 14,000/-
2. Mr. Vineet N. Suchanti	Rs. 14,000/-
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 un-redressed. No transfer of shares is pending as on date.

M/s. V. R. Associates, 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
2005-2006	Saturday	2 nd September 2006	10.30 a. m.
2004-2005	Saturday	13 th August, 2005	10.30 a. m.
2003-2004	Saturday	11 th September, 2004	10.00 a. m.

Location:

All the above Annual General Meetings of the Company were held at M. C. Ghia Hall, Bhogilal Hargovindas Building, 18/20, K. Dubash Marg, Mumbai 400 001.

Business

Year	Special Resolution passed.
2005-2006	1. To reappoint Shri M. V. Doshi as Executive Chairman 2. To Amend Articles of Association in respect of provision of Nominee Director. 3. To acquire the Share of LKP Shares and Securities Ltd.
2004-2005	Nil
2003-2004	Nil

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

1. 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.
2. 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.
3. No personnel have been denied access to the Chairman or members of the Audit Committee. The mechanism of Whistle Blower Policy is not established.
4. To the extent possible, the Company has complied with the mandatory requirement of this clause.

8. Means of Communication

1. The financial results of all four quarters were published in The Financial Express and Mumbai Lakshyadeep dailies. These were not sent individually to the shareholders.



LKP Merchant Financing Limited

- 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, : Monday, 6th August 2007
Time and Venue : at 10.30 a.m. at M.C. Ghia Hall,
Bhogilal Hargovindas Building,
18/20, K. Dubash Marg,
Mumbai 400 001.

Financial Calendar : April to March
Announcement of Audited / Unaudited
Results (tentative)
1st Quarter - Last week of July
2nd Quarter - Last week of October
3rd Quarter - Last week of January
4th Quarter - Last week of June

Book Closure : July 31, 2007 to August 6, 2007
(both days inclusive)

Dividend payment : Not applicable
date

Listing on Stock : The Stock Exchange, Mumbai
Exchange (Code-507912). The Company has paid
the listing fees for the period from
1st April 2007 to 31st March 2008. 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 : INE 724A01017
Depositories

Market Price Data and Performance in comparison to BSE Sensex

High/Low of market price of the Company's equity shares traded in the Bombay Stock Exchange Ltd. and performance in comparison to BSE Sensex during the financial year 2006 - 2007 is furnished below:

Month & Year	High (Rs.)	Low (Rs.)	No. of Shares	No. of Trades	BSE Sensex High	Low
April 2006	196.80	125.95	1187204	4146	12102.00	11008.43
May 2006	201.50	125.80	863687	3250	12671.11	9826.91
June 2006	152.35	89.75	418965	1841	10626.84	8799.01
July 2006	123.80	84.00	364888	1964	10940.45	9875.35
August 2006	114.60	82.05	533267	3653	11794.43	10645.99
September 2006	105.90	80.00	723906	4113	12485.17	11444.18
October 2006	116.00	86.25	790283	3778	13075.85	12178.83
November 2006	110.00	77.00	395199	2245	13799.08	12937.30
December 2006	92.60	60.55	299668	2146	14035.30	12801.65
January 2007	124.75	77.55	816443	5589	14325.92	13303.22
February 2007	94.40	63.10	565017	2384	14723.88	12800.91
March 2007	64.80	49.00	287917	1115	13386.95	12316.10

Registrar and Share Transfer Agents

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

Share Transfer System

The Company's Shares are traded on Bombay Stock Exchange Limited compulsorily in the dematerialized form. However, all requests received for transfer of shares in physical form 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 31st March 2007

Shares Slab	Share Holders	%	Total Shares	Amount (Rs.)	%
UP TO - 500	6142	86.30	908410	9084100.00	7.10
501 - 1000	466	6.55	366397	3663970.00	2.86
1001 - 2000	217	3.05	328642	3286420.00	2.57
2001 - 3000	76	1.07	189964	1899640.00	1.48
3001 - 4000	44	0.62	155599	1555990.00	1.22
4001 - 5000	35	0.49	165362	1653620.00	1.29
5001 - 10000	60	0.84	404832	4048320.00	3.16
10001 & Above	77	1.08	10280794	102807940.00	80.32
Total :	7117	100.00	12800000	128000000.00	100.00

Share holding pattern as on 31st March 2007

Category	No. of shares held	% of share holding
1 Indian Promoters/ Persons acting in concert	70,45,277	55.04
2 Mutual Funds and UTI	1,400	00.01
3 Banks, Financial Institutions and Insurance Companies	2,850	00.02
4 FIIs 1,68,548	01.32	
4 Private Corporate Bodies	21,81,502	17.04
5 Indian Public	31,53,025	24.64
6 NRIs / OCBs	2,08,761	1.63
7 Other (In transit)	38,637	0.30
Total	12800000	100.00

Dematerialization of equity Shares and liquidity

As on 31st March 2007, 94.36 % of the Company's total shares represented by 1,20,78,678, shares were held in dematerialized form.

Out standing GDR/Warrants/Convertible Instruments

The Company has not issued any GDR/Warrants/Convertible Instruments.

Address for correspondence

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

For and on behalf of Board of Directors

Mumbai

Date: 21st June 2007

(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 31st March 2007 as stipulated in clause 49 of the Listing Agreement of the said Company had with Bombay Stock Exchange Limited.

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 appointment of at least one common independent director of the holding Company on the Board of subsidiaries of the Company as required under sub-clause i of the item at paragraph III of Clause 49 of the Listing Agreement.

We state that in respect of investor grievances received during the year ended 31st March 2007, no investor grievances are pending against the Company as on 21st June 2007, 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: 21st June 2007

A. D. Shenoy
Partner



LKP Merchant Financing Limited

AUDITORS REPORT

We have audited the attached Balance Sheet of LKP Merchant Financing Limited as at 31st March 2007 and the Profit & Loss Account of the Company for the year ended on that date annexed thereto and also the Cash Flow Statement for the year ended on that date. 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 31st March 2007 have eroded the entire share capital and 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 7).***
2. As required by the Companies (Auditors Report) Order, 2003 (as amended), 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) On the basis of written representations received from the directors of the Company, as on 31st March, 2007 and taken on record by the Board of Directors of the Company, none of the directors of the Company is disqualified as on 31st March, 2007 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 Brand" based on valuation by Chartered Accountants as at 31st 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 disputed accrued interest of Rs 12.77 lacs (previous year Rs 12.77 lacs) on the intercorporate deposit (now classified as other liabilities) for reasons stated in note no 5 of the notes to the accounts (Schedule 16).***

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

- g) ***Reference is invited to note no 4 (b) regarding unsecured old loans amounting to Rs 498.87 lacs (Previous year Rs 532.19 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 31st March 2007.
 - (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: 21st June 2007.

A. D. SHENOY
Partner
Membership No.11549

ANNEXURE REFERRED TO IN PARAGRAPH 2 OF THE AUDITORS 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 is debit balance as at 31st March 2007 with respect to one subsidiary company, which is outstanding. The year end debit balance of the company was Rs. 20.59 lacs (Previous Year Rs.650.40 lacs). The Company has also given advance to a Firm and other parties which is listed in the register maintained under Section 301 of the Companies Act, 1956. The year end debit balance of such parties is Rs. 2189.49 lacs (Previous Year Rs.1200.88 lacs).
- (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. The company has since received Rs. 367.05 lacs as repayment from these parties.