

LKP Finance Limited

(Formerly LKP Merchant Financing Limited)



ANNUAL REPORT 2008-2009

Report  junction.com



CONTENTS

	Page
Notice	6
Directors Report	7 - 9
Management Discussion and Analysis	10 - 12
Corporate Governance Report	13 - 20
Auditors Report	21 - 23
Balance Sheet	24
Profit and Loss Account	25
Schedules to Accounts	26 - 33
Cash Flow Statement	34
Statement Relating to Subsidiary Company	35 - 52
Consolidated Financial Statements	53 - 61

Annual General Meeting on 2nd June, 2009 at 10.30 a.m.
at M. C. Ghia Hall, Hargovindas Building, 18/20,
Kaikhushru Dubash Marg, Mumbai - 400 001.

LKP FINANCE 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,

Govandi (East),

Mumbai - 400 088.

Registered Office :

203, Embassy Centre,

Nariman Point,

Mumbai - 400 021.

Tel. : 4002 4785 / 4002 4786

Fax : 2287 4787

Registrar & Shares Transfer Agent :

Adroit Corporate Services Pvt. Ltd.

19, Jaferbhoy Industrial Estate,

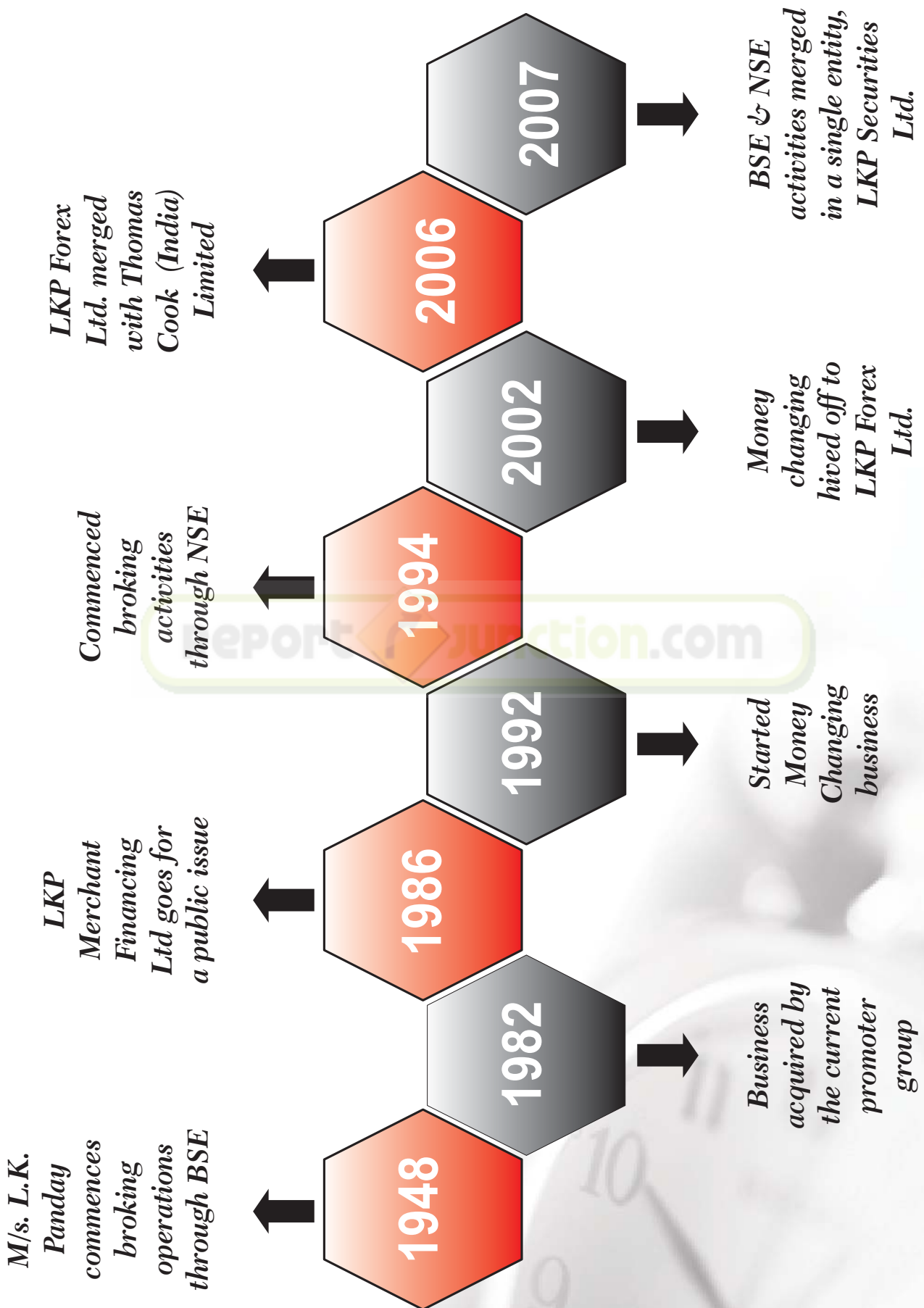
1st Floor, Makavana Road,

Marol Naka, Andheri (East),

Mumbai - 400 059.

Tel. : 28590942 / 28594060

KEY MILESTONES



CHAIRMAN'S STATEMENT



Dear Shareholders,

I welcome all of you to the Twenty Fifth Annual General Meeting of your Company. I am sure you have all received the Annual Report for the financial year ended 31st March, 2009.

Global Economic Scenario

Financial Year 2008-09 had been an unprecedented year in many respects. We have seen global financial markets turmoil leading to huge sell-off by the FIIs in the emerging markets, including India. We have seen financial giants like Citibank, Morgan Stanley, Bank of America and host of other banks melting down and were bailed out. Similar situation arose in other developed geographies like UK, France, Italy, Australia, Japan etc. India, which has seen net FII investment in past 5-6 years, has seen for the first time net FII outflow to the tune of Rs. 535 bn. during the year 2008.

Indian Stock Markets

From the peak of 21207 in January, 2008 the Sensex went to a low of 7,697 in October 2008. We have seen an over-reaction in our markets, despite minimal problems in our economy as compared to other markets.

Volumes in the stock markets took a big hit, with practically no participation from retail segment and very limited participation from the institutional investors. Almost throughout the year, the market volumes were low, leading to lower brokerage income and LKP was not an exception to this either. The sentiment and confidence of investors was very low which was reflected in the fact that we hardly saw any IPO/FPO during this period.

Company's Performance

As far as your Company is concerned, the financial year 2008-2009 was a remarkable year. During the financial year the Company has divested a major portion of its holdings in the equity shares of Thomas Cook (India) Ltd, received pursuant to the merger of LKP Forex Limited with Thomas Cook (India) Limited by tendering them under the open offer announced by Thomas Cook (UK) Ltd. Your company is having comfortable financial position.

To utilize the cash surplus effectively and advantageously the Company has decided to buy back it's own equity shares through open market purchases on the BSE. The buy back is expected to reduce the outstanding number of equity and consequently increase the earnings per share over a period of time and improve key return ratios like return on net worth, return on assets etc.

LKP Securities Ltd. a subsidiary Company is offering all capital market services under one umbrella and is presently operating more than 300 outlets including sub-brokers which are spread over 130 cities and towns in India. We have planned to add more branches and cover many more locations during this year to enable the Company to tap the investor community even in small towns. I am sure that our strategy of offering broking services to the retail market will add value by gaining market share, which is very essential element to sustain growth during the challenging times.

Your Board of Directors are pleased to recommend a special dividend of Rs. 5/- per equity share being the Silver Jubilee Year of the Company in addition to a dividend @ Rs. 2/- per equity share of the Company for the financial year ended 31st March 2009.

Outlook

With a stable government having been elected we are now more optimistic about the government's ability to implement reforms, which had taken a back seat during the past five years. We expect FIIs and Domestic Financial Institutions to infuse money into Indian equities in 2009, which will improve trading volumes and enthuse retail investors which in turn spell better times for stock markets.

I look forward to the coming year with a great deal of optimism and confidence. A strong balance sheet backed by operational liquidity coupled with prudent asset liability management becomes a differentiating factor to avail the opportunity and face the challenges.

I would like to express my gratitude to our Board of Directors for their continued support and guidance, and to the employees for their valuable contribution. I am also grateful to shareholders who have reposed their confidence and given us constant support.

Thanking you,

M. V. Doshi

June 2, 2009

Mumbai



NOTICE

NOTICE is hereby given that the Twenty Fifth Annual General Meeting of the members of LKP Finance Limited will be held at M. C. Ghia Hall, Bhogilal Hargovindas Building, 18/20, K. Dubash Marg, Mumbai 400 001 on Tuesday, 2nd June 2009 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 2009 and Report of Directors and Auditors thereon.
2. To declare a dividend.
3. To appoint a Director in place of Mr. Milan S. Bhise, who retires by rotation and being eligible offers himself for re-appointment.
4. 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 27th May 2009 to 2nd June 2009 (both days inclusive).
- (4) The Dividend as recommended by the Board of Directors if approved by the shareholders will be payable on or after 3rd June 2009.
- (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

(M. V. Doshi)

Date: 5th May 2009

Executive Chairman

DIRECTORS' REPORT

The Directors present the Twenty Fifth Annual Report and Audited Accounts of the Company for the year ended March 31, 2009.

FINANCIAL RESULTS	2008 - 2009 (Rs. in lacs)	2007 - 2008 (Rs. in lacs)
Operating Profit /(loss)	9267.54	(574.67)
Less : Extraordinary Debits / Credits (Net)	—	5734.18
Profit / (Loss) before tax	9267.54	5159.51
Less/(Add): Provision for Tax & Fringe Benefit Tax	726.32	(927.64)
Add : Tax relating to earlier years (net)	—	118.91
Profit / (Loss) after tax	8541.22	4350.78
(Loss) brought forward from previous year	642.64	(2908.76)
Amount available for appropriation	9183.86	1442.02
APPROPRIATIONS:		
Proposed Dividend	889.79	256.00
Tax on Dividend	151.22	43.39
Transfer to Capital Redemption Reserve Account	8.87	
Transferred to General Reserve	5000.00	500.00
Balance carried to Balance Sheet	3133.98	642.64

DIVIDEND

The Board of Directors are pleased to recommend a dividend @ Rs. 2/- per equity share of the Company for the financial year ended 31st March 2009 and a special dividend of Rs. 5/- per equity share being the Silver Jubilee Year of the Company. The total dividend recommended for the financial year 2008-2009 is Rs. 7/- per share. The total cash outflow on account of dividend & tax thereon Rs. 1041.01 lacs.

PERFORMANCE REVIEW

The Company's total income has increased from Rs. 1,037.31 lacs to Rs. 10,188.99 lacs and profit after tax Rs.8541.22 lacs against the profit of Rs. 4350.78 lacs of the previous year.

During the year under review the Company has divested major portion of its holdings in the equity shares of Thomas Cook (India) Ltd, received pursuant to the merger of LKP Forex Limited with Thomas Cook (India) Limited by tendering them under the open offer announced by Thomas Cook (UK) Ltd.

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.

BUY-BACK

The consent of the Members was obtained by way of a special resolution passed on 22nd January 2009, as per Section 192A of the Companies Act, 1956, read with the Companies (Passing of the Resolution by Postal Ballot) Rules, 2001, for buy-back of equity shares of the Company under Section 77A of the

Companies Act, 1956, upto a maximum amount of Rs. 945 lacs being less than 25% of the paid up equity share capital and free reserves of the Company as on March 31, 2008 at a price not exceeding Rs. 90/- per share.

Pursuant to the aforesaid consent the Company has bought-back from the Open Market on the Bombay Stock Exchange Limited 97,168 equity shares upto March 31, 2009 at an average price of Rs 54.52 per share. Out of the shares bought-back, 88,737 equity shares have been extinguished till March 31, 2009. Hence the paid up equity share capital of the company as on March 31, 2009 stands reduced by Rs 8,87,370 to Rs. 12,71,12,630 divided into 1,27,11,263 equity shares of Rs. 10/- each.

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 COMPANY

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 subsidiary of the Company is appended to this report.

STATUTORY DISCLOSURE

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

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. Milan S. Bhise retires by rotation and being eligible offers himself for reappointment.

AUDITORS' REPORT

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 profit of the Company for that period;