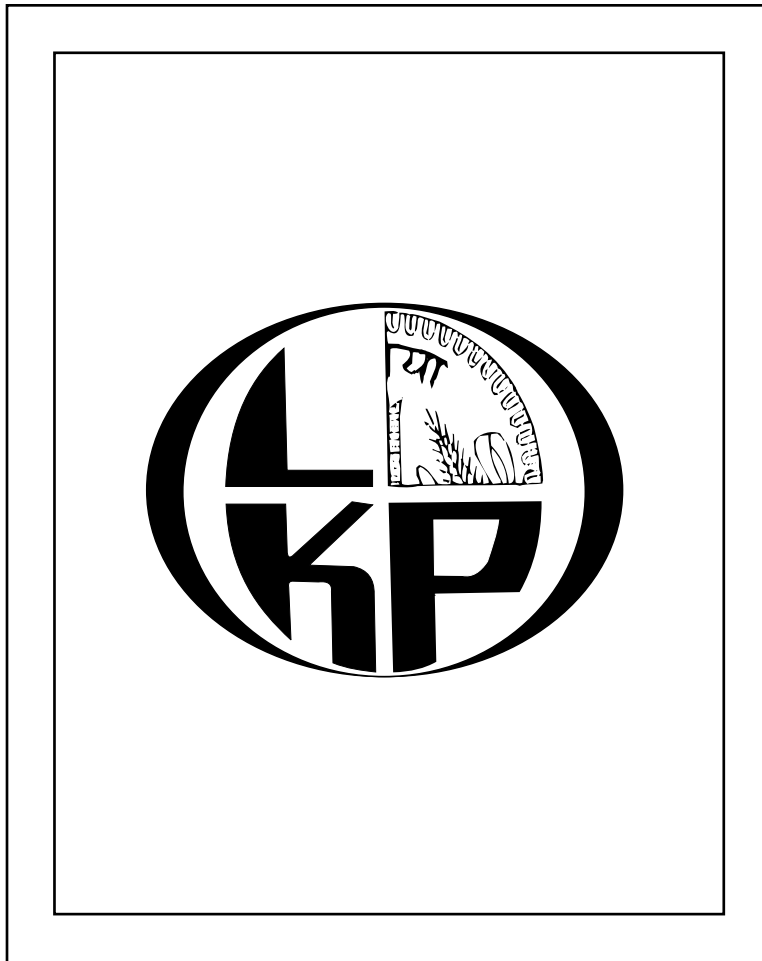


LKP Merchant Financing Limited



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.

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.*



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 it's 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.



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.

Mumbai
Date: 21st June 2007

By Order of the Board of Directors
(M. V. Doshi)
Executive Chairman



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.



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.



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



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 of Committee of the Board of the Companies on which he is a Director as on 21st June 2007.

- LKP Merchant Financing Ltd.
- i Share Transfer Committee-Chairman
- ii Audit Committee-Member
- G L Hotels Ltd.
- 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 date : Not applicable

Listing on Stock Exchange : The Stock Exchange, Mumbai (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 Depositories : INE 724A01017

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



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.



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 and for services provided. 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 Rs. 5 lacs.
6. The company has not accepted any deposits from the public within the meaning of the provision of Section 58A and 58AA of the Act.
7. The company has no Internal Auditor however the Company's internal control procedures, which, in our opinion, are commensurate with its size and nature of its business.
8. The Company is a Loan and Investment Company hence clause (viii) 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 other statutory dues with the appropriate authorities. There were no undisputed arrears of statutory dues outstanding as at 31st March, 2007 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 31st March, 2007 on account of dispute as under:
- | <u>Nature of dues pending</u> | <u>Amount</u> | <u>Forum where dispute is</u> |
|--------------------------------|----------------|----------------------------------|
| Income Tax (Asst yr 1999-2000) | Not Quantified | Appellate Tribunal, Mumbai. |
| Income Tax (Asst yr 2003-2004) | Not Quantified | Comm of Income Tax, Appeals -III |
| Income Tax (Asst yr 2004-2005) | Not Quantified | Comm of Income Tax, Appeals -III |
10. The accumulated losses of the company as at 31st March 2007 are more than 50% of its net worth. The company has incurred cash losses during the financial year ended on that date. However in the preceding year the company made profit and there was no cash loss.
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 not defaulted in repayment of its dues to a Financial Institution.
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 (xiii) 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 not given any guarantee for loan taken by a Company from a Bank / Financial Institution.
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.
18. The Company has not made any preferential allotment of shares during the year and therefore, paragraph 4 (viii) of the Order is not applicable.
19. The Company has not issued any debentures during the year and therefore paragraph 4(xix) 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(xx) of the Order is not 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: 21st June, 2007

A. D. SHENOY
Partner
Membership No.11549



LKP Merchant Financing Limited

BALANCE SHEET AS AT 31ST MARCH, 2007

	Schedule	Rs in Lacs	Rs in Lacs	As at 31-3-2006 Rs in Lacs
I SOURCES OF FUNDS :				
1. Shareholders Funds				
a. Share Capital	1	1,530.00		1,530.00
b. Reserves and Surplus	2	4,081.48		4,238.60
			5,611.48	5,768.60
2 Loan Funds				
a. Secured Loans	3	9,000.00		6,485.38
b. Unsecured Loans	4	—		37.48
			9,000.00	6,522.86
TOTAL			14,611.48	12,291.46
II APPLICATION OF FUNDS :				
1. Fixed Assets				
a. Gross Block	5	6,213.03		6,557.21
b. Less : Depreciation / Amortisation		3,472.40		3,636.80
c. Net Block			2,740.63	2,920.41
2. Investments				
	6		2,161.99	1,451.35
3. Current Assets, Loans & Advances				
a. Stock on hand	7	—		10.39
b. Sundry Debtors	8	57.00		665.87
c. Cash & Bank Balances	9	144.16		315.57
d. Loans & Advances	10	7,933.00		7,064.39
		8,134.16		8,056.22
Less : Current Liabilities and Provisions				
a. Liabilities	11	1,084.59		2,100.07
b. Provisions	12	249.47		256.99
		1,334.06		2,357.06
Net Current Assets			6,800.10	5,699.16
4. Miscellaneous Expenditure				
			—	—
5. Profit & Loss-Debit Balance				
			2,908.76	2,220.54
TOTAL			14,611.48	12,291.46
NOTES TO THE ACCOUNTS	16			
ACCOUNTING POLICIES	17			
BALANCE SHEET ABSTRACT & COMPANY'S GENERAL BUSINESS PROFILE	18			
SCHEDULES 1 TO 18 ANNEXED HERETO FORM PART OF THE BALANCE SHEET AND PROFIT & LOSS ACCOUNT				

As per our Report attached.

For FORD, RHODES, PARKS & CO.
Chartered Accountants

A. D. Shenoy
Partner
Membership No. 11549

Mumbai
Dated : 21st June, 2007.

Executive Chairman
Director
Director

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

Mumbai
Dated : 21st June, 2007.



PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2007.

	Schedule	Rs in Lacs	Rs in Lacs	Previous Year Rs in Lacs
INCOME :				
Income from Operations			346.37	1,430.96
Other Income	13		245.12	27.04
			591.49	1,458.00
EXPENDITURE :				
Establishment Charges	14	99.23		22.30
Administrative and other expenses	15	68.49		135.04
			167.72	157.34
			423.77	1,300.66
Interest and Finance charges.		1,086.02		15.83
Depreciation.		24.00		25.51
			1,110.02	41.34
Operating Profit			(686.25)	1,259.32
Less : Extraordinary Item			-	305.74
PROFIT/(LOSS) BEFORE TAXATION			(686.25)	953.58
LESS (a) PROVISION FOR TAXATION			-	79.74
LESS (a) PROVISION FOR FRINGE BENEFIT TAX			1.97	0.26
LESS (b) AMORTISATION OF TRADE MARK		157.12		104.75
LESS (b) TRANSFER FROM TRADE MARK RESERVE		157.12		104.75
			-	-
PROFIT/(LOSS) AFTER TAXATION			(688.22)	873.58
Add: Transfer of Debenture Redemption Reserve			0.00	250.00
Add: Adjustment on account of one time settlement with a Bank-NCD Waiver (credit amount)			-	(97.94)
Less: Transferred to General Reserve			-	97.94
			-	-
(LOSS) BROUGHT FORWARD FROM LAST YEAR			(2,220.54)	(3,344.12)
LOSS CARRIED TO BALANCE SHEET			(2,908.76)	(2,220.54)
NOTES TO THE ACCOUNTS	16			
ACCOUNTING POLICIES	17			
BALANCE SHEET ABSTRACT & COMPANY'S GENERAL BUSINESS PROFILE	18			
SCHEDULES 1 TO 18 ANNEXED HERETO FORM PART OF THE BALANCE SHEET AND PROFIT & LOSS ACCOUNT				

As per our Report attached.

For FORD, RHODES, PARKS & CO.
Chartered Accountants

A. D. Shenoy
Partner
Membership No. 11549

Mumbai
Dated : 21st June, 2007.

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

Mumbai
Dated : 21st June, 2007.



SCHEDULES FORMING PART OF THE ACCOUNTS AS AT 31ST MARCH, 2007.

	Rs in Lacs	Rs in Lacs	As at 31-3-2006 Rs in Lacs
SCHEDULE 1 - SHARE CAPITAL			
Authorised			
(i) 2,00,00,000 Equity Shares of Rs 10/- each.		2,000.00	2,000.00
(ii) 10,00,000 Redeemable Cumulative Preference Shares of Rs.100/-each		1,000.00	1,000.00
		<u>3,000.00</u>	<u>3,000.00</u>
Issued,Subscribed & Paid Up :			
(i) 128,00,000 Equity Shares of Rs.10/- each		1,280.00	1,280.00
(ii) 250,000 13.5% Redeemable Cumulative Preference Shares of Rs.100/- each.		250.00	250.00
		<u>1,530.00</u>	<u>1,530.00</u>
Note:			
1. The above equity shares include 22,50,000 Equity shares allotted as Bonus Shares by capitalization of Share Premium Account.			
2. 2,50,000 13.5% Redeemable Cumulative Preference Shares are issued on private placement basis.			
SCHEDULE 2- RESERVES & SURPLUS			
Share Premium Account			
Balance as per last Balance Sheet.		2,255.16	2,255.16
Trade Mark Reserve			
Balance as per last Balance Sheet.		1,885.50	1,990.25
Less: Transferred to Profit & Loss account.		157.12	104.75
		<u>1,728.38</u>	<u>1,885.50</u>
Debenture Redemption Reserve			
Balance as per last Balance Sheet.		-	250.00
Less: Transferred to Profit & Loss account.		-	250.00
		-	-
General Reserve			
Balance as per last Balance Sheet.		97.94	-
Add : Transferred from Profit & Loss account.		-	97.94
		<u>97.94</u>	<u>97.94</u>
TOTAL		<u>4,081.48</u>	<u>4,238.60</u>
SCHEDULE 3 - SECURED LOANS			
A. Redeemable Non-Convertible Debentures		-	6,352.70
B. Term Loan from a Non Banking Financial Company		9,000.00	132.68
TOTAL		<u>9,000.00</u>	<u>6,485.38</u>
SCHEDULE 4 - UNSECURED LOANS			
Untransfereble Notes			
		-	37.48
TOTAL		<u>-</u>	<u>37.48</u>



SCHEDULES FORMING PART OF THE ACCOUNTS AS AT 31ST MARCH, 2007.

SCHEDULE 5 - FIXED ASSETS

(Rs in lacs)

Description of Assets	Gross Block (At Cost)			As at 31st March, 2007	Depreciation / Amortisation As at 31st March, 2007	Net Block	
	As at 1st April 2006	Additions	Deductions			As at 31st March, 2007	As at 31st March, 2006
I. OWN ASSETS							
LKP FOREX Trade Mark	2,095.00			2,095.00	366.62	1,728.38	1,885.50
Office Premises	237.49			237.49	109.27	128.22	134.97
Premises	380.89			380.89	84.34	296.55	310.43
Furniture & Fixtures	143.44			143.44	140.21	3.23	4.02
Air Conditioners	24.97			24.97	23.62	1.35	1.57
Office Equipment's	199.12	1.34		200.46	184.97	15.49	16.51
Sub-Total	3,080.91	1.34	-	3,082.25	909.03	2,173.22	2,353.00
II ASSETS ON LEASE							
Plant & Machinery	3,130.78			3,130.78	2,563.37	567.41	567.41
Sub-Total	3,130.78		-	3,130.78	2,563.37	567.41	567.41
Grand Total	6,211.69	1.34	-	6,213.03	3,472.40	2,740.63	2,920.41
Previous Year	6,210.95	0.74	-	6,211.69	3,291.28	2,920.41	

Notes :

- 1) Cost of office premises includes cost of shares of Rs.500/- in Embassy Center Premises Co-operative Society Ltd and cost of shares of Rs 500/- in Great Eastern Gardens Condominium.
- 2) Previous years gross block, total depreciation & net block have been adjusted for fully depreciated Owned / Leased Assets.

SCHEDULE 6 - INVESTMENTS (at Cost)

As at 31-3-2006

Qouted Shares Fully Paid (at Cost), classified as Long Term Investments NAME OF THE COMPANY	Quantity	Face Value	Cost Rs in Lacs	As at 31-3-2006		
				Quantity	Face Value	Cost Rs in Lacs
R.M.Financial Services Ltd.	50	10	0.02	50	10	0.02
20th Century Finance Corporation Ltd.	105	10	0.02	105	10	0.02
Indian Oxygen Ltd.	332	10	0.16	332	10	0.16
Nirlon Synthetic Fibres & Chemicals Ltd.	80	10	0.02	80	10	0.02
Garware Polyester Ltd.	100	10	0.07	100	10	0.07
Hindustan Alloys Mfg.Co.Ltd	1,500	10	0.81	1,500	10	0.81
Moira Re-rolling Mills Ltd.	25,000	10	2.50	25,000	10	2.50
Elcot Power Ltd	1,600	10	1.20	1,600	10	1.20
Growel Times Ltd	50,000	10	8.00	50,000	10	8.00
Sajjan Udyog Export Ltd	4,900	10	1.23	4,900	10	1.23
Sandur Laminates Ltd.	50,000	10	5.00	50,000	10	5.00
I C I C I Ltd.	10	10	0.02	10	10	0.02
Oswal Chemicals Ltd	95	10	0.04	95	10	0.04
Ahura Welding Electrode Manufacturers.Ltd.	10,500	10	4.20	10,500	10	4.20
Tata Finance Ltd	100	10	0.03	100	10	0.03
Motoral Specialities Ltd	54,900	10	22.94	54,900	10	22.94
Maharashtra Polybutane Ltd	701,349	10	7.02	701,349	10	7.02
Tata Iron & Steel Co Ltd	40,000	10	152.89	40,000	10	155.78
Herbertsons Ltd	22,050	10	23.79	22,050	10	23.79
JSW Steel Ltd	47	10	0.01	-	10	0.01
United Breweries Ltd	1,600	1	3.86	-	-	-
Development Credit Bank Ltd	44,405	10	35.60	-	-	-
S Kumars Synfab Ltd	179,000	10	139.44	-	-	-
Nitco Tiles Ltd	10,543	10	20.40	-	-	-
D S Kulkarni Developers Ltd	583	10	0.64	-	-	-
Thomas Cook (India) Ltd Equity Shares	1,494,900	10	625.50	2,718,000	10	625.50
Thomas Cook (India) Ltd 4.65% Class A Preference Shares	94,854,000	10				
Thomas Cook (India) Ltd 0.001% Class B Preference Shares	319,765	10				
Thomas Cook (India) Ltd 0.001% Class C Preference Shares	271,800	10				



LKP Merchant Financing Limited

SCHEDULES FORMING PART OF THE ACCOUNTS AS AT 31ST MARCH, 2007

Quoted Shares Fully Paid (at Cost), classified as Long Term Investments	Quantity	Face Value	Cost Rs in Lacs	Quantity	Face Value	Cost Rs in Lacs
(These shares were received in lieu of shares held in LKP Forex Ltd, merged with Thomas Cook (India) Ltd as per Mumbai High Court Order dated 12.01.2007. Class B & C Preference Shares are Convertible into Equity Shares within a period of seven years on Thomas Cook (India) Limited achieving certain levels of EPS)						
SUB-TOTAL			1,055.41			858.36
UNQUOTED & FULLY PAID UP:						
The Saraswat Co-op Bank Ltd.	1,005	10	0.10	1,005	10	0.10
Samudra Shoes Overseas Ltd	70,525	10	8.86	88,425	10	8.86
Nikhhar Fabrics Ltd	220,000	10	22.00	220,000	10	22.00
Ring Plus Acqua Ltd.	130,400	10	60.55	130,400	10	60.55
The Hindustan Times Ltd.	5,600	10	12.57	5,600	10	12.57
Sweet Solutions Ltd (Formerly Sweet Infosys Ltd)	239,500	10	436.25	144,500	10	289.00
Doshi Holding Pvt Ltd.	7,600	10	0.76	7,600	10	0.76
Gayatri Cement & Chemicals Industries Pvt.Ltd	10,000	100	64.00	10,000	100	64.00
Alpha Commodity Exchange Pvt Ltd	-	-	-	82,500	10	8.25
LKP Shares & Securities Ltd-Preference Shares	250,000	10	250.00	-	-	-
India Containers Ltd	77,100	10	0.39	-	-	-
Regent Agro Chemicals Ltd	100,000	10	10.00	-	-	-
SUB-TOTAL			865.48			466.09
UNQUOTED SHARES (Partly Paid) AT COST :						
Kalyani Seamless Tubes Ltd.	33,300	10	6.66	33,300	10	6.66
Kanan Steels Ltd.	29,500	10	1.11	29,500	10	1.11
Pittie Cement & Inds Ltd.	10,600	10	5.83	10,600	10	5.83
Amaujin Agro Exports Ltd	6,100	10	0.30	6,100	10	0.30
American Paints India Ltd	95,500	10	4.77	95,500	10	4.77
I T & T Ltd	14,653	10	7.33	14,653	10	7.33
SUB-TOTAL			26.00			26.00
BIRLA INCOME PLUS			0.10			0.10
			0.10			0.10
INVESTMENT IN SUBSIDIARIES :						
LKP Securities Ltd.	2,150,000	10	215.00	2,150,000	10	215.00
SUB-TOTAL			215.00			215.00
TOTAL			2,161.99			1,565.55
Less: Provision for diminution in value of investments			-			114.20
			2,161.99			1,451.35
i. Aggregate of quoted investments - At Cost			1,055.41			858.36
- Market Value			7,972.57			370.77
ii. Aggregate of unquoted investments - At Cost.			1,106.58			707.19
SCHEDULE 7 - STOCK ON HAND						
a. In Shares						
- Valued at cost or market value whichever is lower						10.39
TOTAL						10.39
						As at 31-3-2006
						Rs in Lacs
SCHEDULE 8 - SUNDRY DEBTORS						
(Unsecured, Considered Good)						
a. Lease Rentals - At agreement values						
(All debts due and outstanding for more than 6 months.)						128.74
Less: Provision for Non-Performing Assets						128.74
						-
b. Other Debtors						
(includes Rs NIL outstanding for more than 6 months (Previous year NIL))						665.87
TOTAL						665.87



SCHEDULES FORMING PART OF THE ACCOUNTS AS AT 31ST MARCH, 2007.

	Rs in Lacs	As at 31-3-2006 Rs in Lacs
SCHEDULE 9 - CASH AND BANK BALANCES		
Cash on hand (Including cheques on hand Rs. NIL Lacs (Previous year Rs.253.98 Lacs)	0.07	254.08
Balance with Scheduled Banks:		
in Current Account	119.55	36.99
in Fixed Deposit	24.50	24.50
Balance with Co-op Bank:		
in Current Account	0.04	-
TOTAL	144.16	315.57
SCHEDULE 10 - LOANS & ADVANCES (Considered Good)		
Advances to Companies and others	3,342.19	2,408.46
Due from Subsidiary Company	20.59	-
Bills of Exchange	31.70	31.70
Advances recoverable in cash or in kind or for value to be received	4,348.72	4,549.01
Tax Deducted at Source & Self Assesment Tax	172.99	64.54
Fringe Benefit Tax-advance	2.23	0.26
Deposits	14.58	10.42
TOTAL	7,933.00	7,064.39
SCHEDULE 11 - LIABILITIES		
Sundry Creditors	398.36	503.78
Other Liabilities	609.23	609.23
Advances Received	77.00	42.00
Due to Subsidiary Company	-	945.06
Investor Education and Protection Fund	-	-
Small Scale Industries	-	-
TOTAL	1,084.59	2,100.07
SCHEDULE 12 - PROVISIONS		
Provision for Income Tax	247.24	247.24
Provision for Fringe Benefit Tax	2.23	0.26
Provision for Gratuity	-	9.49
TOTAL	249.47	256.99
SCHEDULE 13 - OTHER INCOME		
Dividend Income	6.05	(Previous Year) 6.60
Interest	90.90	13.28
Interest on Fixed Deposit	1.84	1.16
Miscellaneous Income	0.04	1.40
Bad Debts Recovered	22.60	4.60
Provision for Diminution in Investments no longer required now reversed	114.20	-
Provision for Gratuity no longer required now reversed	9.49	-
TOTAL	245.12	27.04
SCHEDULE 14 - ESTABLISHMENT CHARGES		
Salary and Allowances.	79.27	20.99
Contribution to Provident Fund/ESIC.	6.19	0.79
Staff Welfare	13.77	0.52
TOTAL	99.23	22.30
SCHEDULE 15 - ADMINISTRATIVE EXPENSES		
Rent, Rates & Taxes	8.69	8.01
Repairs - Others	11.90	1.97
Electricity	1.85	2.07
Advertisement	0.21	0.39
Directors Fees	0.28	0.16
Traveling & Conveyance	15.80	0.94
Postage, Telegram & Telephones	3.80	2.50
Legal and Professional Charges	17.88	98.10
Printing & Stationery	1.01	0.49
Auditors Remuneration :		
Audit fees	0.28	0.22
Tax audit fees	0.06	0.06
Insurance Premium	0.01	0.01
Miscellaneous Expenses	6.72	20.12
TOTAL	68.49	135.04



SCHEDULE 16 - NOTES TO THE ACCOUNTS :

- 1 Contingent Liability :
 - (a) Amount due on Partly Paid Shares/Debentures Rs.43.75 Lacs (Previous Year - Rs.43.75 lacs)
 - (b) Cumulative Preference Share Dividends not provided for upto 31-3-2007 amounted to Rs 337.50 lacs(Previous Yr Rs 303.75 lacs)
- 2 Secured Loan from a Non Banking Financial Company represent Rs 90.00 crores borrowed for a period of one year. The loan is secured by mortgage of certain Premises and Pledge of shares and by a personal guarantee of a Director. The loan is further secured by mortgage of certain office premises and pledge of shares of third parties.
- 3 Sundry Debtors, include Rs 19.92 lacs (maximum during theyear Rs 19.92 lacs) from a company where a Director is interested as Director (Previous year Rs NIL)
- 4 Loans & Advances (Schedule 10)
 - a) include Rs 2189.49 lacs from companies and a firm where a Director is interested as a Director or Relative of the Director is a Partner(Previous Year Rs 1200.88 lacs)
 - b) includes Rs 498.87 lacs (Previous Year Rs 532.19 lacs) outstanding for a long period and there are no repayments/ interest recoveries during the year. (Since recovered Rs 367.05 lacs)
 - c) includes payments of Rs 3,000 lacs given on behalf of the parties from whom the company has taken over their office premises for long term use and have been treated as deposits towards these office premises.
- 5 Other liabilities include Rs 609.23 lacs being disputed inter corporate deposit.No interest has been provided on this deposit as the same is disputed amounting to Rs 12.77 lacs (Previous Year Rs 12.77 lacs).
- 6 Particular with respect to Earnings per share is calculated as follows:

	2006-07	2005-06
Profit after Taxation (Rs in lacs)	(688.22)	873.58
Number of Shares Outstanding	12,800,000	12,800,000
	Rupees Ps	Rupees Ps
Earnings per share(basic and diluted)	(5.38)	6.82
Face Value of Share	10	10
- 7 The company's losses as at 31st March,2007 have eroded the entire share capital and a major portion of reserves .The company is in the process of restructuring its business activities. Hence accounts are prepared on "going concern" basis.
- 8 Taxation:
 - (a) In accordance with Accounting Standard 22-Accounting for taxes on Income, issued by the Institute of Chartered Accountants of India,deferred tax liability/deferred tax assets from timing difference between book and tax profits is

accounted for at the current rate of tax to the extent the timing differences are expected to crystallize.As regards brought forward business losses and unabsorbed depreciation the same are recognised only to the extent there is a reasonable certainty of realisation.

- (b) No provision for taxation in view of losses.
- (c) Assessment have been completed upto Asst Year 2004-2005. Appeals have been filed with CIT(A) for Assesment Years 2003-04 and 2004-2005 which are pending.

There are no demands quantified for these assessment years.

- 9 As per the Accounting Standard 18, issued by the Institute of Chartered Accountants of India,disclosures of transactions with the related parties as defined in the Accounting Standards are given below :

- (I) List of related parties with whom transactions have taken place and relationships:

Name of the Related Party	Relationship
LKP Securities Ltd	Subsidiary Company
LKP Shares & Securities Ltd	Associate Company
Peak Plastonics Pvt Ltd	Associate Company
MKM Shares & Stock Brokers Ltd	Associate Company
Seaglimpse Investments Pvt Ltd	Associate Company
Bhavana Holdings Pvt Ltd	Associate Company
M/s L K Panday	Associate
Mr M V Doshi	Key Managerial Personnel

- (ii) Transactions with related parties.

	Subsidiary Company	Associates	Key Managerial Personnel	Total (Rs in lacs)
Receivables	20.59	2,189.49	—	2,210.08
Payables	—	—	—	—
10 Expenditure in Foreign Currency			For the Year (Rs. in lacs)	Previous Year (Rs. in lacs)
			NIL	NIL

- 11 TRADE MARK:The company owned the Trade Mark, 'LKP FOREX'.The said brand was valued by an expert as at 31st March,2004 which has been incorporated in the books of accounts.The brand name was used by its Subsidiary LKP Forex Ltd which is merged with Thomas Cook (India) Ltd (TCIL) effective 01.04.2006.The company has entered into a Licensing Agreement with TCIL whereby the Trade Mark has been licensed to TCIL for a 2 year period and after the expiry of 2 years the same will be assigned to TCIL. In view of the above, the book value of the Trade Mark will be amortised over a period of 2 years as against the earlier practice of 20 years. The charge for the year is Rs 157.12 lacs (Previous Year Rs 104.75 lacs). This change has no effect on the loss for the year as similar amount are drawn from Trade Mark Reserve.
- 12 Prudential Norms of the Reserve Bank of India : The Company has not changed its accounting policy for income recognition (which is on accrual basis).



The Prudential Norms of the Reserve Bank of India (RBI) require the company to derecognise certain income and make provisions for non-performing assets.

As the market value of the quoted shares as at 31.03.2007 were higher as compared to the cost, the earlier year provision no longer required, and hence reversed.

- 13 Tax Deducted at Source : Rs 102.99 lacs (Previous year Rs 64.54 lacs)
- 14 The company has entered into an agreement with Life Insurance Corporation of India for their Employees Group Gratuity Scheme and accordingly Rs 10.06 lacs has been paid during the year towards the premium for the said scheme including for past services. (Previous year provision of Rs 9.48 lacs has been reversed)
- 15 Previous Year's Figures are regrouped / reclassified wherever necessary.

SCHEDULE -17 STATEMENT OF ACCOUNTING POLICIES

- 1. ACCOUNTING METHODOLOGY : The accounts have been prepared on historical cost basis of accounting. The Company adopts accrual system of accounting unless stated otherwise.
- 2. INCOME :
 - a. In respect of lease and hire purchase agreements it is the Company's general policy to accrue income as per the terms of the Agreement entered into with the lessees/hirers from time to time. In respect of disputed lease agreement which is contested in court the lease rentals will be accounted as and when received. Hire purchase and service charges are accounted on equated basis over the period of contracts.
 - b. In respect of other heads of income the Company follows the practice of accounting for such Income on accrual basis except delayed payment charges which are accounted on the basis of certainty of collection and/or on receipt basis.
- 3. EXPENSES: It is the Company's policy to provide for all expenses on accrual basis.
- 4. DEPRECIATION : The Company provides Depreciation as under :
 - a) On assets for own use : On written down value method at the rates and in the manner specified in Schedule XIV to the Companies Act 1964 as amended on 16th December, 1993.

- b) On assets acquired and Leased: On straight line method at the rates so as to write off the assets over the period of lease.
- c) On intangible assets:
 - (i) Expenses on issue of Equity Shares are amortized equally over a period of ten years.
 - (ii) Brand value amortized equally over a period of 2 years.

- 5. INVESTMENTS : Investments are capitalized and accounted at the cost plus brokerage and stamp charges. Profit or losses on investments are accounted as and when realized.
- 6. FIXED ASSETS : All Fixed Assets including assets given on lease are capitalized at cost inclusive of legal and/or installation and incidental expenses, less accumulated depreciation.
- 7. TRADE MARK: The company owns the Trade Mark, 'LKP FOREX'. The said brand was valued by an expert as at 31st March, 2004 which has been incorporated in the books of accounts. The brand name was used by its Subsidiary LKP Forex Ltd which is merged with Thomas Cook (India) Ltd (TCIL) effective 01.04.2006. The company has entered into a Licensing Agreement with TCIL whereby the Trade Mark has been licensed to TCIL for a 2 year period and after the expiry of 2 years the same will be assigned to TCIL. In view of the above, the book value of the Trade Mark will be amortised over a period of 2 years as against the earlier practice of 20 years.
- 8. STOCKS : Following items are included under Stocks and are valued as under :

<u>Item</u>	<u>Method of Valuation</u>
a. Shares and other securities	At actual cost or market value whichever is lower
b. Stocks on Hire	At agreement value less amount received.
- 9. FOREIGN EXCHANGE : Foreign Currency transactions are recorded in the books at the exchange rate prevailing on the date of transaction. All foreign currency assets/liabilities are reinstated in the books at the exchange rates prevailing at the close of the year.
- 10. GRATUITY TO EMPLOYEES : Contributions to Group Gratuity Scheme is based on the premium contributions called for by the Life Insurance Corporation of India (LIC) with whom the Company has entered into an arrangement. Actuarial valuation is carried out by LIC as at the year end.



SCHEDULE 18 - BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. Registration Details

Registration No.	32831/A
State Code	11
Balance Sheet Date	31.3.2007

II Capital Raised during the year (Amount in Rs.Thousands)

Public Issue	NIL
Rights Issue	NIL
Bonus Issue	NIL
Private Placement	NIL

**III Positions of Mobilization and Deployment of Funds
(Amount in Rs.Thousands)**

Total Liabilities	1,594,554
Total Assets	1,594,554
Sources of Funds :	
Paid-Up Capital	153,000
Reserves & Surplus	408,148
Secured Loans	900,000
Unsecured Loans	-
Application of Funds :	
Net Fixed Assets	274,063
Investments	216,199
Nett.Current Assets	680,010
Misc.Expenditure	-
Accumulated Losses.	290,876

IV. Performance of Company (Amount in Rs. Thousands)

Turnover	59,149
Total Expenditure	127,774
Profit/(Loss) Before Tax	(68,625)
Profit/(Loss) After Tax	(68,622)
Earning Per Share in Rs.	(5.38)
Dividend rate %	NIL

V. General Names of Three Principal products /services of Company

(as per monetary terms)
Product Description
N.A.

As per our Report attached.

For FORD, RHODES, PARKS & CO.
Chartered Accountants

A. D. Shenoy
Partner
Membership No. 11549

Mumbai
Dated : 21st June, 2007.

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

Mumbai
Dated : 21st June, 2007.



CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2007

	As at 31.3.2007		(Rs in Lacs) As at 31.3.2006
Cash Flow From Operating Activities:			
Net Profit/(Loss) before tax and Extraordinary Items and Interest.	397.80		889.41
Adjustments for:			
Depreciation	24.00	25.51	
Interest/Dividend Received/Misc	(6.05)	(6.60)	
Provisions for Invest	(114.20)	-	
Misc. Expenditure W/Off	-	-	18.91
Operating Profit before Working Capital Changes	301.55		908.32
Adjustments for:			
Trade and other receivables	(249.35)	(1,205.93)	
Trade payables	(1,023.00)	1,072.77	(133.16)
Cash Generated from operations	(970.80)		775.16
Interest paid	(1,086.02)	(15.83)	
Direct taxes paid	-	(1,086.02)	(15.83)
Cash flow before extraordinary items	(2,056.82)		759.33
Net cash from operating activities	(2,056.82)		759.33
Cash flow from investing activities			
Purchase of fixed assets	(1.34)	(0.74)	
Sale of fixed assets	-	-	
Purchase of Investments	(607.56)	(117.67)	
Sale of Investments	11.12	75.68	
Interest received	-	-	
Dividend received	6.05	6.60	
Net cash used in investing activities	(591.73)		(36.13)
Cash flow from financing activities			
Proceeds from issue of share capital,including share premium	-	97.94	
Proceeds from long term borrowings	2,477.14	(511.57)	
Dividend paid	-	-	
Net cash used in financing activities	2,477.14		(413.63)
Net increase in cash and cash equivalents	(171.41)		309.57
Cash and cash equivalents. (opening)	315.57		6.00
Cash and cash equivalents. (closing)	144.16		315.57

This is the Cash flow statement referred to in our report of even date

For FORD, RHODES, PARKS & CO.

Chartered Accountants

A. D. Shenoy

Partner

Membership No. 11549

Mumbai

Dated : 21st June, 2007.

Executive Chairman

Director

Director

M. V. Doshi

M. S. Bhise

V. N. Suchanti

Mumbai

Dated : 21st June, 2007.

DIRECTORS' REPORT

The Directors present the Thirteenth Annual Report and Audited Accounts of the Company for the year ended 31st March 2007.

FINANCIAL RESULTS

	2006 - 2007	2005 - 2006
	Rupees	Rupees
	(In Lacs)	(In Lacs)
Income from Operation	1720.20	1286.86
Profit before Tax	58.70	103.88
Less: Provision for Taxation	6.55	8.50
(Add)/ Less: Provision for Deferred Tax	2.51	(0.73)
Less: Provision for Fringe benefit tax	10.37	9.59
Profit after tax	39.27	86.52
Profit brought forward from previous year	180.72	94.20
Balance carried to Balance Sheet	219.99	180.72

DIVIDEND

Your Directors have not recommended any dividend on equity shares in view of the need to conserve the resources of the Company for its future business expansion.

OPERATIONS

The income from operations increased from Rs. 1286.86 lacs to Rs. 1720.20 lacs during the year but profit after tax is decreased from Rs. 86.52 lacs to Rs. 39.27 lacs due to squeeze in margins. The Company is a trading member of the National Stock Exchange of India Ltd. for Capital Market & Wholesale Debt Market Segments. The Company has two distinct divisions for operating its businesses: the Capital Market Division and the WDM Division.

(a) Capital Market Division

In Capital Market segment your Company is dealing very actively with various FIs, FIIs, Mutual Funds, Corporates, Banks & High Net-worth Individuals. The Company has been expanding its branch network. The operations at the branches are satisfactory. During the year under review, your Company strengthened its branch network and has now expanded operations to over 54 cities and towns in India.

(b) Wholesale Debt Market Division

As reported to you last year, the Negotiated Delivery System ("NDS") set up by Reserve Bank of India (RBI) has seriously affected secondary market business of Wholesale Debt Market segment of National Stock Exchange of India Limited including your Company. The Company is now focusing on primary issues of debt papers by Corporates, Banks and PSUs. The Company has also diversified into secondary market intermediation of Non-SLR debt papers like Certificate of Deposits, Commercial Papers and Bonds.

AMALGAMATION

The Board of Directors in their meeting held on 19th March 2007, subject to approval of the Stock Exchanges, Mumbai High Court and other concerned regulatory authorities, approved the Scheme of Amalgamation between the Company (the 'Transferee Company') and LKP Shares & Securities Ltd. (the 'Transferor Company') with effect from the appointed date 1st April 2006.

In the opinion of the Board, the said Scheme of Amalgamation of the Transferor Company with the Company is advantageous and beneficial to the shareholders of the Company. As per the exchange ratio proposed by independent valuers, Haribhakti MRI Corporate Services Pvt. Ltd., the equity shareholder of the Transferor Company

shall be entitled in lieu of every 2 Equity Shares of Rs. 10/ each, one equity share of Rs. 10/ each in the Company.

DIRECTORS

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

DIRECTOR'S RESPONSIBILITY STATEMENT

As required under Section 217 of the Companies Act, 1956, the Board of Directors of the Company hereby state and confirm that:

- (i) in the preparation of the Annual Accounts, the applicable accounting standards has been followed along with proper explanation relating to material departures;
- (ii) the Directors have selected such accounting policies and applied them consistently and made judgements 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 the period;
- (iii) the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the 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 & ability;
- (iv) the Directors have prepared the annual accounts on a going concern basis.

REGISTERED OFFICE

The Registered Office of the Company has been shifted at 203 Embassy Centre, Nariman Point, Mumbai 400021, with effect from 21st June 2007.

STATUTORY INFORMATION

The Company did not have any employee falling within the scope of Section 217 (2A) of the Companies Act 1956. The provision of Section 217 (1) (e) of the Companies Act relating to conservation of energy and technology absorption do not apply to your Company. There is no foreign exchange earning and outgo during the year under report.

AUDITORS

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 Director s recommend their re-appointment.

The observations of Auditors in their report read with Notes to the Accounts are self explanatory.

ACKNOWLEDGMENT

Your Directors place on record their sincere gratitude for the support received from the National Stock Exchange of India Ltd., other govt. & regulatory agencies, our esteemed clients and Banks and look forward to receiving their continued support. Your Directors also greatly appreciate the commitment and dedicated efforts of all employees.

For and on behalf of the Board of Director s

Mumbai
21st June 2007

(M. V. Doshi)
Director

(Dinesh Waghela)
Director

AUDITORS' REPORT

We have audited the attached Balance Sheet of LKP Securities 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. 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 the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the said Order.
2. Further to our comments in paragraph 1.
 - 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, Profit and Loss Account and Cash flow statement dealt with by this report are in agreement with the books of account.
 - d) In our opinion, the Balance Sheet, Profit and Loss Account and the Cash flow statement 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.
4. 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 profit for the year ended on that date.

and
 - (c) In the case of the Cash Flow statement of the cash flows for the year ended on that date.

For Ford, Rhodes, Parks & Co.
Chartered Accountants

Mumbai

A.D.SHENOY

Date:

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. The Company has neither granted nor taken loans, secured or unsecured to / from companies, firms or other parties covered in the register maintained under section 301 of the Act.
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 and for providing services. 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 in respect of these areas.

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 lakh 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 Stock and Debt Broking Company hence clause (viii) 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 31st March, 2007 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 31st March, 2007 on account of dispute as under;

<u>Nature of dues pending</u>	<u>Amount</u>	<u>Forum where dispute is</u>
Income Tax (Asst year 2004-05)	42.58 lakhs	CIT (Appeals)

10. The Company has no accumulated losses as at 31st March, 2007. The Company has not incurred cash losses in the current financial year and also in the immediate 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 not defaulted in repayment of its dues to Financial Institutions or Debenture holders.
12. As per the books and records of the company examined by us, the Company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures and other securities.
13. Clause (xiii) of the Order as amended 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. According to the information given to us and managements representation the Company has not given guarantee for the loans taken by others from banks or Financial Institutions during the year.
16. There are no terms loans hence clause (xvi) of the Order is not applicable.
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.
18. The Company has not made any preferential allotment of shares during the year and therefore, paragraph 4 (xviii) of the Order is not applicable.
19. The Company has not issued any debentures during the year and therefore paragraph 4(ix) 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(xx) of the Order is not 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

A.D.SHENOY

Date:

Partner
Membership No.11549

BALANCE SHEET AS AT 31ST MARCH, 2007

	Schedule	As at 31/3/2007 Rs in lacs	As at 31/3/2006 Rs in lacs
I SOURCES OF FUNDS :			
1 SHARE HOLDERS' FUNDS			
a Share Capital	1	215.00	215.00
b Reserves & Surplus	2	389.99	350.72
		604.99	565.72
2 LOAN FUNDS			
a Secured Loans	3	8.57	649.37
b Unsecured Loans	4	-	144.07
3 Deferred Tax Liability (net)		20.99	18.48
TOTAL		634.55	1,377.64
II APPLICATION OF FUNDS :			
1 FIXED ASSETS			
a Gross Block	5	735.15	611.34
b Less : Depreciation		359.16	275.41
c Net Block		375.99	335.92
2 INVESTMENTS	6	120.85	20.85
3 CURRENT ASSETS, LOANS & ADVANCES			
a Sundry Debtors	7	2,636.15	1,627.98
b Cash & Bank Balances	8	276.06	122.86
c Loans & Advances	9	2,911.73	1,302.56
		5,823.94	3,053.41
LESS : CURRENT LIABILITIES & PROVISIONS	10		
a Current Liabilities		5,615.70	1,964.65
b Provisions		70.53	67.90
		5,686.23	2,032.54
NET CURRENT ASSETS		137.71	1,020.87
TOTAL		634.55	1,377.64

Notes to the accounts & Accounting Policies 15
Schedule 1 to 16 Annexed hereto form part of the
Balance Sheet and Profit & Loss A/c

For FORD, RHODES, PARKS & CO.
Chartered Accountants

Director

M. V. Doshi

Director

H. P. Doshi

A.D. Shenoy

Partner

Director

D. K. Waghela

Membership No. 11549

Mumbai

Dated : 21st June, 2007

Mumbai

Dated : 21st June, 2007

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2007

	Schedule	As at 31/3/2007 Rs in lacs	As at 31/3/2006 Rs in lacs
INCOME			
Income from Brokerage		1,717.14	1,283.99
Other Income	11	3.07	2.87
		<u>1,720.20</u>	<u>1,286.86</u>
EXPENDITURE			
Establishment Charges	12	556.13	407.84
Administration & Other Expenses	13	1,044.01	1,361.79
Interest & Finance Charges	14	40.59	7.96
Depreciation		102.34	80.84
Extra-ordinary items - credit		81.57	675.44
NET PROFIT / (LOSS) FOR THE YEAR BEFORE TAXATION		58.70	103.88
Provision for taxation		6.55	8.50
Provision for deferred tax/(write back)		2.51	(0.73)
Fringe Benefit Tax		10.37	9.59
NET PROFIT FOR THE YEAR AFTER TAXATION		39.27	86.52
BALANCE BROUGHT FORWARD FROM LAST YEAR		180.72	94.20
BALANCE CARRIED FORWARD TO BALANCE SHEET		219.99	180.72
Basic and Diluted Earnings per Share (in Rupees) (Refer note no 9 of Schedule 15)		1.83	4.02
Notes to the accounts & Accounting Policies Schedule 1 to 16 Annexed hereto form part of the Balance Sheet and Profit & Loss A/c	15		

For FORD, RHODES, PARKS & CO.
Chartered Accountants

Director

M. V. Doshi

Director

H. P. Doshi

A.D. Shenoy

Partner

Director

D. K. Waghela

Membership No. 11549

Mumbai

Dated : 21st June, 2007

Mumbai

Dated : 21st June, 2007

SCHEDULE FORMING PART OF THE ACCOUNTS AS AT 31ST MARCH, 2007

	As at 31/3/2007 Rs in lacs	As at 31/3/2006 Rs in lacs
SCHEDULE 1 - SHARE CAPITAL		
AUTHORISED CAPITAL		
50,00,000 Equity Shares of RS. 10/- each	500.00	500.00
	500.00	500.00
ISSUED, SUBSCRIBED & PAID-UP :		
21,50,000 Equity Shares of Rs. 10/- each (All the above shares are held by LKP Merchant Financing Ltd, the holding Company and its nominees)	215.00	215.00
	215.00	215.00
SCHEDULE 2 - RESERVES & SURPLUS		
GENERAL RESERVES		
Balance as per last Balance Sheet	170.00	170.00
	170.00	170.00
Balance in Profit & Loss Account	219.99	180.72
	219.99	180.72
	389.99	350.72
SCHEDULE 3 - SECURED LOAN		
a) Bank Overdraft (Secured by hypothecation of receivables, charge on other assets of the company pledge of third party shares and guaranteed by a director and Corporate guarantee of LKP Merchant Financing Ltd.)	-	642.00
b) Vehicle Loan (Secured by hypothecation of Vehicle)	8.57	7.37
	8.57	649.37
SCHEDULE 4 - UNSECURED LOAN		
Bank Overdraft	-	144.07
	-	144.07
SCHEDULE 5 - FIXED ASSETS		

	Gross Block (At Cost)				Depreciation				Net Block	
	As at 01.04.2006	Additions	Deductions	As at 31.03.2007	As at 01.04.2006	For the Year	Deductions	As at 31.03.2007	As at 31.03.2007	As at 31.03.2006
Computer	227.84	16.71	(2.02)	242.52	154.60	34.86	(1.61)	187.85	54.67	73.24
Computer Software	40.24	23.94	-	64.18	10.21	17.54	-	27.75	36.43	30.03
Furniture & Fixtures	108.68	40.79	(22.43)	127.05	37.85	16.48	(11.63)	42.69	84.35	70.84
Electrical Fittings	3.68	5.52	-	9.20	0.02	1.24	-	1.25	7.95	3.66
Office Equipment	168.62	58.71	(0.08)	227.25	36.31	23.43	(0.08)	59.67	167.59	132.31
Vehicle	62.28	7.20	(6.72)	62.76	36.43	8.40	(5.26)	39.56	23.20	25.85
Leasehold improvements	-	2.19	-	2.19	-	0.38	-	0.38	1.81	-
TOTAL	611.34	155.06	(31.25)	735.15	275.41	102.34	(18.59)	359.16	375.99	335.92
AS ON 31/3/2006	428.57	182.77	-	611.34	194.57	80.84	-	275.41	335.92	233.99

SCHEDULE FORMING PART OF THE ACCOUNTS AS AT 31ST MARCH, 2007
SCHEDULE 6 - INVESTMENTS
(Rs. in lacs)
Quoted Shares (Fully Paid) At Cost

Name of Scrip	Number	As at 31.3.2007		Number	As at 31.3.2006	
		Face Value	Cost		Face Value	Cost
Himachal Fut. Ltd	100	10	0.86	100	10	0.86
VisualSoft Ltd	31	10	2.89	31	10	2.89
Mphasis Limited	10	10	0.21	10	10	0.21
Venky's India Limited	500	10	1.52	500	10	1.52
Liquid Benchmark units	10000	1000	100.00	-	-	-
			105.48			5.48
Unquoted Shares (Fully Paid)						
Gobind Sugar Ltd	8000	10	14.88	500	10	14.88
Equity Market Project I Ltd	5,000.00	10	0.50	5000	10	0.50
Sub Total			15.38			15.38
Total			120.85			20.85
Market Value of Quoted Shares			0.60			0.71

	As at 31/3/2007 Rs. in lacs	As at 31/3/2006 Rs. in lacs
SCHEDULE 7 - SUNDRY DEBTORS (UNSECURED, CONSIDERED GOOD)		
More than six months	119.23	107.60
Others	2,516.92	1,520.38
	2,636.15	1,627.98

b PROVISIONS

	As at 31/3/2007 Rs. in lacs	As at 31/3/2006 Rs. in lacs
Provision for taxation	42.48	47.70
Provision for FBT	19.96	9.59
Provision for Gratuity	8.09	10.61
B	70.53	67.90
A + B	5,686.23	2,032.54

SCHEDULE 8 - CASH & BANK BALANCES

	As at 31/3/2007 Rs. in lacs	As at 31/3/2006 Rs. in lacs
Cash Balance	0.63	0.12
Balance with Schedule Banks :		
In Current Account	232.43	104.74
In Fixed Deposit A/c	43.00	18.00
	276.06	122.86

SCHEDULE 11 - OTHER INCOME

	As at 31/3/2007 Rs. in lacs	As at 31/3/2006 Rs. in lacs
Dividend	0.64	0.03
Interest	0.53	0.86
Profit on sale of shares	-	1.30
Other Income	1.89	0.68
	3.07	2.87

**SCHEDULE 9 - LOANS & ADVANCES
(UNSECURED, CONSIDERED GOOD)**

	As at 31/3/2007 Rs. in lacs	As at 31/3/2006 Rs. in lacs
Deposits	97.81	94.96
Loans & Advances	80.72	92.35
Staff Loan	1.84	4.46
FBT Advance tax	17.01	6.27
Advance Tax & TDS	50.70	61.64
Advances Recoverable in Cash or Kind	516.64	27.23
Margin with Exchange / Clearing Member	2,137.18	1,013.95
Prepaid Expenses	9.85	1.72
	2,911.73	1,302.56

SCHEDULE 12 - ESTABLISHMENT CHARGES

	As at 31/3/2007 Rs. in lacs	As at 31/3/2006 Rs. in lacs
Salary and Allowances	460.26	349.37
Bonus and Incentives	47.02	27.82
Contribution to Provident Fund	11.60	6.68
Contribution to ESIC	1.60	0.79
Staff Welfare	25.17	12.72
Medical	8.96	7.41
Gratuity	1.53	3.05
	556.13	407.84

SCHEDULE 10 - LIABILITIES
a CURRENT LIABILITIES

	As at 31/3/2007 Rs. in lacs	As at 31/3/2006 Rs. in lacs
Sundry Creditors	2,532.31	1,275.26
Advances	300.00	-
Margin & Deposits	2,712.19	542.94
TDS Payable	6.59	21.82
Outstanding expenses	64.62	124.62
A	5,615.70	1,964.65

SCHEDULE 13 - ADMINISTRATIVE EXPENSES

	As at 31/3/2007 Rs. in lacs	As at 31/3/2006 Rs. in lacs
Commission	307.70	294.06
Advertisement Exps	3.56	1.86
Business Promotion and entertainment	18.30	21.82
Books & Periodicals	0.78	0.63
Computer Expense	12.48	14.46
Conveyance	25.60	24.71
Demat chgs	2.56	3.63
Donation	0.18	0.41
Electricity Expenses	11.72	11.80
Company law expenses	0.01	0.05

SCHEDULE FORMING PART OF THE ACCOUNTS AS AT 31ST MARCH, 2006
SCHEDULE 13-ADMINISTRATIVE EXPENSES (contd.) (Previous Year)

General & Misc Chgs	2.02	3.96
Loss on sale of assets	9.82	-
Insurance	3.20	1.84
Investment write off	-	0.33
Motor Car Expenses	17.09	12.70
Office Expenses	65.29	52.10
Postage and Courier expenses	19.77	11.12
Printing & Stationery	36.02	31.35
Profession Tax	0.03	0.03
Professional and Legal Charges	98.86	60.50
Rent , Rates & Taxes	124.34	53.24
Service tax , stamp duty and transaction charges paid	81.59	51.56
Audit Fees	0.55	0.50
Repairs & Maintenance	35.28	17.66
Franking charges	5.43	12.36
Vsat Charges	15.95	17.78
SEBI Fees	9.04	0.88
Stock Exchange Expenses	18.58	23.45
Seminars and conference	2.95	8.00
Subscription & Membership Fees	3.34	3.19
Telephone and Mobile expenses	61.30	65.29
Travelling (Domestic and Foreign)	23.42	15.94
Operational loss	25.41	-
Sundry balances written off	1.83	0.09
Interest charged to Debtors in prior years not recoverable- written off	-	544.50
	<u>1,044.01</u>	<u>1,361.79</u>

SCHEDULE 14 - INTEREST & FINANCE CHARGES

Bank Charges	2.63	4.78
Interest	37.95	3.18
	<u>40.59</u>	<u>7.96</u>

Schedule 15 - Contingent Liabilities, Accounting Policies and Notes to the Accounts

Accounting Policies : The accounts have been reported on historical cost basis of accounting and on accrual basis

Fixed Assets : All fixed assets are capitalized at cost inclusive of legal and / or installation and incidental expenses, less accumulated depreciation.

Depreciation : The company provides depreciation on written down value method at the rates and in the manner specified in Schedule XIV to the Companies Act, 1956.

Investments : Investments are capitalized and accounted at the cost plus brokerage and stamp charges.

Profit or losses on investments are accounted as and when realised.

Stock in trade : Stock in trade is valued at cost or market value whichever is lower.

Retirement benefit : Gratuity to employees is covered under the LIC Group Gratuity Assurance Scheme

Notes to the accounts :

1 The Company has adopted Accounting Standard (AS 22). Accounting for taxes on income issued by the Institute of Chartered Accountants of India. Deferred Tax is recognized subject to the consideration of prudence in respect of timing difference for depreciation.
Deferred Tax Liability / (Assets) as at 31st March 2007

	As at 31st March 2006	For the year	As at 31st March 2007
Depreciation differential	1,848,426	302,472	2,150,898
Gratuity	-	(51,500)	(51,500)
TOTAL	1,848,426	250,972	2,099,398

3 Provision for Taxation for the current year has been made as per Section 115JB of Income Tax Act 1961, as Minimum Alternate Tax is applicable to the Company. The Company's tax assessments have been completed upto assessment year 2004-2005 and the demands have been raised by tax authorities for assessment year 2004-2005 totalling Rs. 42.58 lakhs. The Company is contesting this demand and has appealed against the demand which is pending with the tax authorities.

- The amounts shown against the sundry debtors and loans and advances is considered as good and recoverable by the management.
- The investments are long term investments and hence no provision is considered necessary for diminution in market value.
- During the year , the Company arrived at a one time settlement of its dues to a Bank. As per the terms of the one time settlement , the Bank has waived Rs. 81.57 lacs which has been credited to the Profit and Loss Account under the head " Extra-ordinary items - credit"
- Earnings per share

	2006-2007	2005-2006
Net Profit after Taxation	39.27	86.52
Number of equity shares	2,150,000.00	2,150,000.00
Basic and Diluted Earnings per share	1.83	4.02

- Previous year's figures have been regrouped wherever necessary.
- LKP Shares & Securities Ltd (member of BSE) is proposed to be amalgamated with the Company with effect from 1.04.06 . The Scheme of amalgamation has been approved by the Boards and Shareholders of both the Companies. Applications have been made to the Stock Exchanges and the Mumbai High Court for their approval which is pending. The merged financial statements will be prepared and audited on receipt of statutory approvals.

SCHEDULE 16: BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

	Rs. in lacs
1 Registration Details	
Registration No.	80039
State Code	11
Balance Sheet date	3/31/2007
2 Capital Raised During the Year	
Public Issue	NIL
Rights Issue	NIL
Bonus Issue	NIL
Private Placement	NIL
3 Positions of Mobilisation and Deployment of Funds	
Total Liabilities	634.55
Total Assets	634.55
Sources of Funds	
Paid-up Capital	215.00
Reserves & Surplus	389.99
Secured Loans	8.57
Unsecured Loans	-
Deferred Tax Liability	20.99
Application of Funds	
Net Fixed Assets	375.99
Investments	120.85
Net Current Assets	137.71
Misc.Expenditure	NIL
Accumulated Losses	NIL
4 Performance of Company	
Turnover	1,720.20
Total Expenditure	1,661.50
Profit Before Tax	58.70
Profit After Tax	0.00
Dividend Rate %	-
Earning per Share in Rs.	
5 Products of the Company	Share Broking
Item code No.:	N.A

Note: The above particulars should be read alongwith the Balance Sheet as at 31st March, 2007 the Profit & Loss Account for the year ended on that date and the schedules forming part thereof.

As per our Report attached	Director	M. V. Doshi
For FORD, RHODES, PARKS & CO.		
Chartered Accountants	Director	H. P. Doshi
A.D.Shenoy		
Partner	Director	D. K. Waghela
Membership No.11549		
Mumbai	Mumbai	
Dated : 21 st June, 2007	Dated : 21 st June, 2007	

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH , 2007

	Rs. In lacs As at 31.3.2007		Rs. In lacs As at 31.3.2006
A. Cash flow from Operating activities :			
Net Profit / (Loss) before tax and Extraordinary items and Interest	58.70		103.88
Adjustments for :			
Depreciation	102.34	80.84	
Loss on sale of assets	9.82	0.33	
Interest / Dividend Received / Misc	(3.07)	(2.87)	
Prov for non-performing assets	1.83	0.09	
Extra - ordinary items	(81.57)	(675.44)	(597.05)
Operating Profit before Working capital changes	<u>88.06</u>		<u>(493.17)</u>
Adjustments for :			
Trade and other receivables	(2,614.84)	2,040.06	
Trade payables	3,089.76	(1,323.77)	716.29
Cash generated from operations	<u>562.99</u>		<u>223.12</u>
Interest paid	(40.59)	(7.96)	
Direct taxes paid	(2.50)	(5.00)	(12.96)
Cash flow before extraordinary items	<u>519.91</u>		<u>210.15</u>
Net cash from operating activities	<u>519.91</u>		<u>210.15</u>
B. Cash flow from Investing Activities			
Purchase of fixed assets	(155.06)	(182.77)	
Sale of fixed assets	31.25	-	
Purchase of investments	(100.00)	-	
Sale of investments	-	2.09	
Interest received	0.53	0.86	
Dividend received	0.64	0.03	
Net cash from investing activities	<u>(222.64)</u>		<u>(179.79)</u>
C. Cash flow from financing activities			
Proceeds from issue of share capital , including share premium	-		-
Proceeds from long term borrowings	(144.07)		
Dividend paid	-	(144.07)	-
Net cash used in financing activities	<u>(144.07)</u>		<u>-</u>
Net increase / (decrease) in cash and cash equivalents	<u>153.20</u>		<u>30.36</u>
Cash and cash equivalents (opening)	<u>122.86</u>		<u>92.49</u>
Cash and cash equivalents (closing)	<u>276.06</u>		<u>122.86</u>

This is the Cash Flow Statement referred to in our report of even date

As per our Report attached

For FORD, RHODES, PARKS & CO.

Chartered Accountants

A.D.Shenoy

Partner

Membership No.11549

Mumbai

Dated : 21st June, 2007

Director

M. V. Doshi

Director

H. P. Doshi

Director

D. K. Waghela

Mumbai

Dated : 21st June, 2007



AUDITOR'S REPORT TO THE BOARD OF DIRECTORS OF LKP MERCHANT FINANCING LTD., ON THE CONSOLIDATED FINANCIAL STATEMENTS OF LKP MERCHANT FINANCING LTD., AND ITS SUBSIDIARY.

1. We have audited the attached Consolidated Balance Sheet of LKP Merchant Financing Ltd. ("the company") and its subsidiary as at 31st March 2007, the Consolidated Profit and Loss Account for the year ended on that date annexed thereto, and the Consolidated Cash Flow for the year ended on that date, which we have signed under reference to this report. Our responsibility is to express an opinion on this consolidated statement based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. These Standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework and are free of material misstatements. An audit includes, examining on 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.
3. The financial statements of the subsidiary LKP Securities Ltd have been audited by us whose financials reflect total assets of Rs 634.55 lacs as at 31st March, 2007 and total revenues of Rs 1720.20 lacs for the year ended on that date.
4. We report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standard (AS) 21, Consolidated Financial Statements, issued by the Institute

of Chartered Accountants of India and on the basis of the separate audited financial statements of the Company and its subsidiary included in the consolidated financial statements.

On the basis of the information and explanation given to us and on the consideration of the separate audit reports on individual audited financial statements of the Company, and its subsidiaries, we are of the opinion that the said consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) In the case of the consolidated Balance Sheet, of the consolidated state of affairs of the Company and its subsidiary as at 31st March 2007.
- (b) In the case of the consolidated Profit and Loss Account, of the consolidated results of operations of the Company and its subsidiary for the year then ended and
- (c) In the case of the consolidated Cash Flow Statement, of the consolidated Cash Flows of the Company and its subsidiary for the year then ended.

For **FORD, RHODES, PARKS AND CO**
Chartered Accountants

A .D. Shenoy
Partner.

Membership No 11549

Place : Mumbai
Date: 21st June, 2007.



LKP Merchant Financing Limited

CONSOLIDATED BALANCE SHEET OF LKP MERCHANT FINANCING LIMITED AND ITS SUBSIDIARY COMPANY AS AT 31ST MARCH,2007

Schedule	As at		Rs in Lacs	Rs in Lacs
	31.3.2006	Rs in Lacs		
I SOURCES OF FUNDS :				
1. Shareholders Funds				
a. Share Capital	1		1,530.00	1,530.00
b. Reserves and Surplus	2		4,251.48	4,762.30
			5,781.48	6,292.30
2. Loan Funds				
a. Secured Loans	3		9,008.57	7,180.88
b. Unsecured Loans	4		—	1,296.16
			9,008.57	8,477.04
3. Minority Interest				
4. Deffered Tax Liability (Net)				
			20.99	46.70
TOTAL				
			14,811.04	14,934.33
II APPLICATION OF FUNDS :				
1. Fixed Assets				
a. Gross Block	5		6,948.19	7,980.07
b. Less : Depreciation			3,831.57	3,945.84
c. Net Block			3,116.62	4,034.23
d. Capital Work-in-Progress			—	3.07
e. Goodwill on consolidation			762.23	374.80
2. Investments				
3. Current Assets, Loans & Advances				
a. Stock on hand	7		—	10.39
b. Sundry Debtors	8		2,693.15	2,197.69
c. Cash & Bank Balances	9		420.22	2,954.06
d. Loans & Advances	10		10,826.15	9,125.34
			13,939.52	14,287.48
Less : Current Liabilities and Provisions				
a. Liabilities	11		6,681.70	4,699.73
b. Provisions	12		320.00	974.84
			7,001.70	5,674.57
Net Current Assets				
			6,937.82	8,612.91
4. Miscellaneous Expenditure				
5. Profit & Loss-Debit Balance				
			1,926.54	1,277.59
TOTAL				
			14,811.04	14,934.33

NOTES TO THE ACCOUNTS,
ACCOUNTING POLICIES &
CASH FLOW STATEMENT 16
SCHEDULES 1 TO 16 ANNEXED HERETO FORM PART OF
THE BALANCE SHEET AND PROFIT & LOSS ACCOUNT

As per our Report attached

For **FORD, RHODES, PARKS & CO.** Executive Chairman **M.V. Doshi**
Chartered Accountants Director **M.S. Bhise**
Director **V.N. Suchanti**

A.D.Shenoy
Partner
Membership No. 11549

Mumbai
Dated : 21st June, 2007.

Mumbai
Dated : 21st June, 2007.

CONSOLIDATED PROFIT & LOSS ACCOUNT OF LKP MERCHANT FINANCING LIMITED AND ITS SUBSIDIARY COMPANIES FOR THE YEAR ENDED 31ST MARCH,2007.

Schedule	Previous Year		Rs in Lacs	Rs in Lacs
	Rs in Lacs	Rs in Lacs		
INCOME :				
Income from Operations				
			346.37	961.61
Income from Money Changing Activities				
			—	4216.32
Income from Broking Activities				
			1717.14	991.23
Other Income	13		248.19	289.41
			2311.70	6458.57
EXPENDITURE :				
Establishment Charges				
	14		655.36	1459.90
Administrative and other expenses				
	15		1112.49	3388.06
			1767.85	4847.96
Operating Profit/(Loss)				
			543.85	1610.61
Interest and Finance charges.				
			1126.61	170.33
Depreciation.				
			126.34	250.89
			1252.95	421.21
PROFIT/(LOSS) BEFORE TAXATION				
			(709.10)	1189.40
ADD/LESS : EXTRAORDINARY DEBITS / CREDITS				
			81.56	369.70
MINORITY INTEREST				
			—	(27.69)
LESS: PROVISION FOR TAX				
			(6.55)	(334.28)
LESS: PROVISION FOR FRINGE BENEFIT TAX				
			(12.34)	—
LESS: AMORTISATION OF TRADE MARK				
			157.12	104.75
LESS: TRANSFER FROM TRADE MARK RESERVE				
			157.12	(104.75)
ADD/LESS : DEFERRED TAX				
			(2.51)	12.20
PROFIT/(LOSS) AFTER TAXATION				
			(648.95)	1209.33
ADD : TRANSFER FROM DEBENTURE RESERVE				
			—	250.00
ADD : ADJUSTMENT ON ACCOUNT OF ONE TIME SETTLEMENT WITH A BANK-NCD WAIVER (CREDIT AMOUNT)				
			—	(97.94)
LESS : TRANSFER TO GENERAL RESERVE				
			—	97.94
(LOSS) BROUGHT FORWARD FROM LAST YEAR				
			(1277.59)	(2736.92)
LOSS CARRIED TO BALANCE SHEET				
			(1926.54)	(1277.59)

NOTES TO THE ACCOUNTS,
ACCOUNTING POLICIES &
CASH FLOW STATEMENT 16
SCHEDULES 1 TO 16 ANNEXED HERETO FORM PART OF
THE BALANCE SHEET AND PROFIT & LOSS ACCOUNT

As per our Report attached

For **FORD, RHODES, PARKS & CO.** Executive Chairman **M.V. Doshi**
Chartered Accountants Director **M.S. Bhise**
Director **V.N. Suchanti**

A.D.Shenoy
Partner
Membership No. 11549

Mumbai
Dated : 21st June, 2007.

Mumbai
Dated : 21st June, 2007.



LKP Merchant Financing Limited

SCHEDULES TO THE CONSOLIDATED ACCOUNTS AS AT 31ST MARCH, 2007.

	Rs in Lacs	As at 31.3.2006 Rs in Lacs			
SCHEDULE 1 - SHARE CAPITAL			Debt Redemption Reserve		
Authorised			Balance as per last Balance Sheet.	—	250.00
(i) 2,00,00,000 Equity Shares of Rs 10/- each.	2,000.00	2,000.00	Less: Transferred to Profit & Loss account.	—	250.00
(ii) 10,00,000 Redeemable Cumulative Preference Shares of Rs.100/-each	1,000.00	1,000.00		—	—
	<u>3,000.00</u>	<u>3,000.00</u>	General Reserve		
Issued,Subscribed & Paid up :			Balance as per last Balance Sheet.	267.94	170.00
(i) 128,00,000 Equity Shares of Rs.10/- each	1,280.00	1,280.00	Add : Transferred from Profit & Loss account.	—	97.94
(ii) 250,000 13.5% Redeemable Cumulative Preference Shares of Rs.100/- each.	250.00	250.00		<u>267.94</u>	<u>267.94</u>
TOTAL	<u>1,530.00</u>	<u>1,530.00</u>	TOTAL	<u>4,251.48</u>	<u>4,762.30</u>
SCHEDULE 2- RESERVES & SURPLUS			SCHEDULE 3 - SECURED LOANS		
Share Premium Account			A. Redeemable Non-Convertible Debentures	—	6,352.70
Balance as per last Balance Sheet.	2,255.16	2,608.86	B. Term Loans from Financial Institutions	9,000.00	132.68
Trade Mark Reserve			C. Working Capital Loans From Banks	—	644.45
Balance as per last Balance Sheet.	1,885.50	1,990.25	D. Vehicle Loan A/c	8.57	51.05
Less: Transferred to Profit & Loss account.	157.12	104.75	TOTAL	<u>9,008.57</u>	<u>7,180.88</u>
	<u>1,728.38</u>	<u>1,885.50</u>	SCHEDULE 4 - UNSECURED LOANS		
			Short Term Loans	—	542.86
			Inter Corporate Deposit	—	609.23
			Overdrawn Current Account Book Balance	—	144.07
			TOTAL	—	<u>1,296.16</u>

SCHEDULE 5 - FIXED ASSETS

(Rs in lacs)

Description of Assets	Gross Block (At Cost)				Depreciation/Amortisation				Net Block	
	As at 1st April 2006	ADDI- TIONS	DEDUCTIONS/ ADJUSTMENTS	As at 31st March, 2007	As at 31st March, 2006	For the Year	Deductions/ ADJUSTMENTS	As at 31st March, 2007	As at 31st March, 2007	As at 31st March, 2006
I. OWN ASSETS										
Office Premises	237.49			237.49	102.52	6.75		109.27	128.22	134.97
Premises	380.89			380.89	70.46	13.88		84.34	296.55	310.43
Furniture & Fixtures	459.94	40.79	230.25	270.48	230.19	17.27	64.55	182.91	87.57	229.75
Air Conditioners	56.24	0.00	31.27	24.97	28.25	0.22	4.85	23.62	1.35	27.99
Office Equipment's	991.27	106.22	353.87	743.62	463.52	79.43	81.47	461.48	282.14	527.75
Vehicles	352.76	7.20	297.20	62.76	171.53	8.40	140.36	39.57	23.19	181.23
Leasehold Improvements	259.01	2.19	259.01	2.19	106.49	0.38	106.49	0.38	1.81	152.52
LKP FOREX Trade Mark	2,095.00	-		2,095.00	209.50	157.12		366.62	1,728.38	1,885.50
Sub-Total	4,832.60	156.40	1,171.60	3,817.40	1,382.46	283.45	397.72	1,268.19	2,549.21	3,450.14
II ASSETS ON LEASE										
Plant & Machinery	3,130.78			3,130.78	2,563.37			2,563.37	567.41	567.41
Sub-Total	3,130.78			3,130.79	2,563.37			2,563.38	567.41	567.41
Grand Total	7,963.38	156.40	1,171.60	6,948.19	3,945.83	283.45	397.72	3,831.57	3,116.62	4,017.55
PREVIOUS YEAR	7,578.08	475.83	73.84	7,980.07	3,945.84				4,034.23	3,964.44

Note : Gross Block and Accumulated Depreciation have been adjusted on account of LKP Forex Ltd, which was a Subsidiary as of 31.03.2006, now merged with Thomas Cook (India) Ltd with effect from 01.04.2006.



LKP Merchant Financing Limited

SCHEDULES TO THE CONSOLIDATED ACCOUNTS AS AT 31ST MARCH, 2007

SCHEDULE 6 - INVESTMENTS (at Cost)

Quoted Shares Fully Paid (at Cost), classified as Long Term Investments	Quantity	Face Value	Cost Rs in Lacs	As at 31.3.2006		
				Quantity	Face Value	Cost Rs in Lacs
Elcot Power Ltd	1,600	10	1.20	1,600	10	1.20
NAME OF THE COMPANY						
R.M.Financial Services Ltd.	50	10	0.02	50	10	0.02
20th Century Finance Corporation Ltd.	105	10	0.02	105	10	0.02
Indian Oxygen Ltd.	332	10	0.16	332	10	0.16
Nirlon Synthetic Fibres & Chemicals Ltd.	80	10	0.02	80	10	0.02
Garware Polyester Ltd.	100	10	0.07	100	10	0.07
Hindustan Alloys Mfg.Co.Ltd	1,500	10	0.81	1,500	10	0.81
Moira Re-rolling Mills Ltd.	25,000	10	2.50	25,000	10	2.50
Elcot Power Ltd	1,600	10	1.20	1,600	10	1.20
Growel Times Ltd	50,000	10	8.00	50,000	10	8.00
Sajjan Udyog Export Ltd	4,900	10	1.23	4,900	10	1.23
Sandur Laminates Ltd.	50,000	10	5.00	50,000	10	5.00
I C I C I Ltd.	10	10	0.02	10	10	0.02
Bindal Agro Mills Ltd.	95	10	0.04	95	10	0.04
Ahura Welding Electrode Manufacturers.Ltd.	10,500	10	4.20	10,500	10	4.20
Tata Finance Ltd	100	10	0.03	100	10	0.03
Motoral Specialities Ltd	54,900	10	22.94	54,900	10	22.94
Maharashtra Polybutane Ltd	701,349	10	7.02	701,349	10	7.02
Tata Iron & Steel Co Ltd	40,000	10	152.89	40,000	10	152.78
JSW Steel Ltd	47	10	0.01	47	10	0.01
Herbertsons Ltd	22,050	10	23.79	22,050	10	23.79
JIK Industries Ltd	-	-	-	100	10	0.18
Weizman Ltd	-	-	-	100	10	0.02
Himachal Futuristic Ltd	100	10	0.86	100	10	0.86
Visual Soft Ltd	31	10	2.89	31	10	2.89
BFL Soft Ltd	10	10	0.21	10	10	0.21
Western Hatcheries Ltd	500	10	1.52	500	10	1.52
Liquid Benchmark Units	10,000	1000	100.00	-	-	-
United Breweries Ltd	1,600	1	3.86	-	-	-
Development Credit Bank Ltd	44,405	10	35.60	-	-	-
S Kumars Synfab Ltd	179,000	10	139.44	-	-	-
Nitco Tiles Ltd	10,543	10	20.40	-	-	-
D S Kulkarni Developers Ltd	583	10	0.64	-	-	-
** Thomas Cook (India) Ltd Equity Shares	1,494,900	10	625.50	-	-	-
** Thomas Cook (India) Ltd 4.65% Class A Preference Shares	94,854,000	10	-	-	-	-
** Thomas Cook (India) Ltd 0.001% Class B Preference Shares	319,765	10	-	-	-	-
** Thomas Cook (India) Ltd 0.001% Class C Preference Shares	271,800	10	-	-	-	-
** (These shares were received in lieu of shares held in LKP Forex Ltd,merged with Thomas Cook (India) Ltd as per Mumbai High Court Order dated 12.01.2007.Class B & C Preference Shares are Convertible into Equity Shares within a period of seven years on Thomas Cook (India) Limited achieving certain levels of EPS)						
SUB-TOTAL			1,160.87			238.52
UNQUOTED & FULLY PAID UP:						
The Saraswat Co-op Bank Ltd.	1,005	10	0.10	1,005	10	0.10
Samudra Shoes Ltd	88,425	10	8.86	88,425	10	8.86
Nikhar Fabrics Ltd	220,000	10	22.00	220,000	10	22.00
Ring Plus Acqua Ltd (Prev known as Ring Gears Ind Ltd)	87,800	10	60.55	87,800	10	60.55
The Hindustan Times Ltd.	350	10	12.57	350	10	12.57
Sweet Infosys Ltd	239,500	10	436.25	144,500	10	289.00
Doshi Holding Pvt.Ltd.	7,600	10	0.76	7,600	10	0.76
Gayatri Cement & Chemicals Industries Pvt.Ltd	10,000	100	64.00	10,000	100	64.00
Alpha Commodity Exchange Pvt Ltd	-	-	-	82,500	10	8.25
Gobind Sugar Ltd	500	10	14.88	500	10	14.88
Equity Market Project Ltd	5,000	10	0.50	5,000	10	0.50
LKP Shares & Securities Ltd-Preference Shares	250,000	10	250.00	-	-	-
India Containers Ltd	77,100	10	0.39	-	-	-
Regent Agro Chemicals Ltd	100,000	10	10.00	-	-	-
SUB-TOTAL			880.86			481.47

UNQUOTED SHARES (Partly Paid) AT COST :	Quantity	Face Value	Cost Rs in Lacs	As at 31.3.2006		
				Quantity	Face Value	Cost Rs in Lacs
NAME OF THE COMPANY						
Kalyani Seamless Tubes Ltd.	33,300	10	6.66	33,300	10	6.66
Kanan Steels Ltd.	29,500	10	1.11	29,500	10	1.11
Pittie Cement & Inds Ltd.	10,600	10	5.83	10,600	10	5.83
Amajun Agro Exports Ltd	6,100	10	0.30	6,100	10	0.30
American Paints India Ltd	95,500	10	4.77	95,500	10	4.77
I T & T Ltd	14,653	10	7.33	14,653	10	7.33
SUB-TOTAL			26.00			26.00
INVESTMENT IN MUTUAL FUNDS:						
BIRLA INCOME PLUS			0.10			0.10
TOTAL			2,067.83			746.09
Less: Provision for diminution in value of investments			-			114.36
			2,067.83			631.73
i. Aggregate of quoted investments - At Cost			1,160.87			264.52
- Market Value			8,073.17			371.48
ii. Aggregate of unquoted investments - At Cost.			906.96			481.57

SCHEDULE 7 - STOCK ON HAND

	Rs in Lacs	Rs in Lacs
a. In Shares		
- Valued at cost or market value whichever is lower	-	10.39
TOTAL	-	10.39

SCHEDULE 8 - SUNDRY DEBTORS

(Unsecured, Considered Good)		
a. Lease Rentals - At agreement values (All debts due and outstanding for more than 6 months)	128.74	128.74
Less: Provision for Non-Performing Assets	128.74	128.74
	-	-
b Other debts (includes Rs 119.23 lacs outstanding for more than 6 months)	2,693.15	2,197.69
TOTAL	2,693.15	2,197.69

SCHEDULE 9 - CASH AND BANK BALANCES

Cash on hand (Including cheques on hand Rs NIL lacs (Previous Yr Rs 253.98 lacs)	0.70	1,697.10
Balance with Scheduled Banks:		
in Current Account	351.98	1,145.78
in Fixed Deposit	67.50	111.18
Cooperative Bank :	0.04	-
TOTAL	420.22	2,954.06

SCHEDULE 10 - LOANS & ADVANCES

(Considered Good)		
Deposit with Companies and others	3,424.91	2,408.46
Bills of Exchange	31.70	31.70
Advances recoverable in cash or in kind or for value to be received	7,014.23	6,674.76
Tax Deducted at Source & Self Assesment Tax	223.69	-
Fringe Benefit Tax-advance	19.23	-
Trade Deposits	112.39	10.42
TOTAL	10,826.15	9,125.34

SCHEDULE 11 - LIABILITIES

Sundry Creditors	6,681.70	4,699.73
TOTAL	6,681.70	4,699.73

SCHEDULE 12 - PROVISIONS

Provision for Income Tax	289.72	954.74
Provision for Fringe Benefit Tax	22.19	-
Provision for Gratuity	8.09	20.10
TOTAL	320.00	974.84



LKP Merchant Financing Limited

SCHEDULE 13 - OTHER INCOME

	Rs in Lacs	Rs in Lacs
Dividend Income	6.70	6.63
Bad Debts recovered	22.60	4.60
Interest	91.43	50.22
Interest on Fixed Deposit	1.84	-
Credit Balance Written back	0.00	22.09
Miscellaneous Income	0.04	1.40
Commission Received	0.00	101.21
Others	1.89	103.26
Provision for Diminution in Investments no longer required, now reversed	114.20	-
Provision for Gratuity no longer required, now reversed	9.49	-
TOTAL	248.19	289.41

SCHEDULE 14 - ESTABLISHMENT CHARGES

Salary and Allowances	597.03	1,247.41
Contribution to Provident Fund/ESIC.	19.39	84.86
Staff Welfare	38.94	127.63
TOTAL	655.36	1,459.90

SCHEDULE 15 - ADMINISTRATIVE EXPENSES

Rent, Rates & Taxes	133.03	386.27
Repairs - Others	47.18	72.29
Electricity	13.57	67.32
Advertisement	3.77	29.00
Directors Fees	0.28	0.91
Traveling & Conveyance	64.82	236.02
Postage, Telegram & Telephones	90.30	182.72
Broker Note & Stamp Duty	81.59	26.94
Legal and Professional Charges	116.74	229.40
Printing & Stationery	37.03	99.15
Auditors Remuneration :		
Audit fees	0.83	25.97
Tax audit fees	0.06	0.32
Out of Pocket Expenses	-	0.64
Vehicle Maintenance	17.09	12.70
Insurance	3.21	34.32
Bad debts written off	1.83	7.73
Loss on sale of fixed assets	9.82	38.62
Donation	0.18	0.85
Miscellaneous Expenses	491.16	1,936.89
TOTAL	1,112.49	3,388.06

SCHEDULES TO THE CONSOLIDATED ACCOUNTS AS AT 31ST MARCH, 2007- (Contd.)

SCHEDULE 16 - NOTES TO THE ACCOUNTS :

Statement of Accounting Policies.

1) Basis of Accounting.

The financial statements are prepared under the historical cost convention and comply with the applicable Accounting Standards issued by the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 1956.

2) Principles of Consolidation

(a) The consolidated financial statements relate to LKP Merchant Financing Limited ("the Company") and its Subsidiary company. The consolidated financial statements have been prepared on the following basis.

— The financial statements of The Company and its Subsidiary Company have been combined on a line-by-line basis by adding together income and expenses, after fully eliminating intra-group balances and intra-group transactions.

— The consolidated financial statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented to the extent possible, in the same manner as the Company's separate financial statements.

— The excess of cost to the company of its investments in the Subsidiary Company is recognised in the financial statements as goodwill.

(b) The Subsidiary Company in the consolidated financial statements is:

Name of the Company	Country of Incorporation	% of voting power held as at 31st March, 2007
LKP Securities Limited	India	100

(b) The Subsidiary Company in the consolidated financial statements is:

(c) Other Significant Accounting Policies

These are set out in the notes to accounts under "Statement of Accounting Policies" of the financial statements of the Company, LKP Securities Limited.

3) Segment reporting and related information is not given, as the same is not applicable to the Company and its Subsidiary as there is only one segment.

4) Particular with respect to Earnings per share is calculated as follows:

	2006-07	2005-06
Profit after Taxation (Rs in lacs)	(648.95)	1,209.33
Number of Shares Outstanding	12,800,000	12,800,000
Earnings per share (basic and diluted)	(5.07)	3.03
Face Value of Share	10	10

5) As per the Accounting Standard 18, issued by the Institute of Chartered Accountants of India, disclosures of transactions with the related parties as defined in the Accounting Standards are given below (Holding Company)

(I) List of related parties with whom transactions have taken place and relationships:

Name of the Related Party	Relationship
LKP Securities Ltd	Subsidiary Company
Seaglimpse Investments Pvt Ltd	Associate Company
LKP Shares & Securities Ltd	Associate Company
Bhavana Holdings Pvt Ltd	Associate Company
Peak Plastonics Pvt Ltd	Associate Company
M/s L K Panday	Associate
MKM Shares & Stock Brokers Ltd	Associate Company
Mr M V Doshi	Key Managerial Personnel

(ii) Transactions with related parties.

	Subsidiary Company	Associates	Key Managerial Personnel	Total
				(Rs in lacs)
Receivables	20.59	1,318.32	-	1,338.91
Payables	0.00	0.00	-	0.00

6) During the year the company's subsidiary LKP Forex Limited was merged with Thomas Cook (India) Limited with effect from 01.04.2006 therefore the current year figures are not comparable with that of previous year as only one subsidiary is consolidated with the company instead of two subsidiaries in the previous year. Previous Years figures have been regrouped and rearranged wherever necessary.

7) CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2007

	At at 31.3.2007	At at 31.3.2006
A. Cash Flow From Operating Activities:		
Net Profit/(Loss) before tax and Extraordinary Items and Interest.	417.51	1,387.42
Adjustments for:		
Depreciation	126.34	250.89
Interest/Dividend Received/Misc	(6.70)	(6.63)
Loss on sale of fixed assets	-	0.00
General Reserve	-	250.00
Misc. Expenditure W/Off	-	494.26
Operating Profit before Working Capital Changes	537.15	1,881.68
Adjustments for:		
Inventories	-	-
Trade and other receivables	(2,185.88)	3,676.24
Trade payables	1,327.13	(149.34)
Cash Generated from operations	(321.60)	5,408.58
Interest paid	(1,126.61)	(170.33)
Provision for Deferred Tax (Net)	(2.51)	12.94
Direct taxes paid	(18.89)	(334.28)
Net cash from operating activities	(1,469.61)	4,916.91
B Cash flow from investing activities		
Purchase of fixed assets	(918.73)	(224.94)
Sale of fixed assets	31.25	50.40
Purchase of Investments	(726.12)	(117.68)
Sale of Investments	11.14	7.29
Dividend received	6.70	6.63
Net cash used in investing activities	(1,595.76)	(278.30)
C Cash flow from financing activities		
Proceeds from long term borrowings	531.53	(4,382.12)
Net cash used in financing activities	531.53	(4,382.12)
Net increase in cash and cash equivalents	(2,533.84)	256.49
Cash and cash equivalents, (opening)	2,954.06	2,697.57
Cash and cash equivalents, (closing)	420.22	2,954.06

As per our Report attached

For FORD, RHODES, PARKS & CO. Executive Chairman **M. V. Doshi**
Chartered Accountants

Director **M. S. Bhise**
Director **V. N. Suchanti**

A.D.Shenoy

Partner
Membership No. 11549

Mumbai
Dated : 21st June, 2007.

Mumbai
Dated : 21st June, 2007.



LKP Merchant Financing Limited

Registered Office : 203, Embassy Centre, Nariman Point, Mumbai - 400 021.

ATTENDANCE SLIP

23rd Annual General Meeting on Monday, 6th August, 2007

R/F No.

DP/ID NO.

Mr./Mrs./Miss.....

I certify that I am a registered shareholder/proxy for the registered shareholder of the Company

I hereby record my presence at the 23rd Annual General Meeting of the Company held at M. C. Ghia Hall, Hargovindas Building, 18/20, Kaikhuskru Dubash Marg, Mumbai - 400 001, at 10.30 a. m. on Monday, 6th August, 2007.

Proxy's Name in Block Letters

Member's/Proxy's Signature

NOTES :

1. This Meeting is of Members only and you are requested not to bring with you any person who is not a Member.
2. Shareholders/Proxy holders are requested to bring the attendance slips with them when they come to the Meeting and hand over at the entrance after affixing their signature on them.
3. Shareholders are requested to bring their copy of the Annual Report alongwith them to the Annual General Meeting, as copies of the Report will not be distributed again at the Meeting, in view of the increasing cost of the Annual Report.
4. If it is intended to appoint a proxy, the Form of Proxy should be completed and deposited at the Registered Office of the Company at least 48 hours before the Meeting.



LKP Merchant Financing Limited

Registered Office : 203, Embassy Centre, Nariman Point, Mumbai - 400 021.

PROXY

R/F No.

DP/ID NO.

I/We.....of

.....in the district of being a

member/members of LKP Merchant Financing Ltd. hereby appoint

.....of

.....in the district of or failing him

.....of

.....in the district of as my/our

Proxy to vote for me/us on my/our behalf at the 23rd Annual General Meeting of the Company to be held on Monday, 6th August, 2007 and at any adjournment thereof.

As witness my hand this day of.....2007.

Signed

Affix 1 Re.
Revenue
Stamp

BOOK-POST



If undelivered, please return to :

LKP MERCHANT FINANCING LTD.

112A, Embassy Centre,

Nariman Point,

Mumbai - 400 021.