

SUNDARAM INFOTECH SOLUTIONS LIMITED

3rd Annual Report 2007-08



Board of Directors

T. T. Srinivasaraghavan

Srinivas Acharya

S. Venkatesan

K. Swaminathan

Chief Executive Officer

Malli J. Sivakumar

Secretary

K. Rajagopal

Bankers

State Bank of Travancore

Tamilnad Mercantile Bank Limited

The Hongkong and Shanghai Banking Corporation Limited

Auditors

M/s. Brahmaya & Co., Chennai
Chartered Accountants

Registered Office

21, Patullos Road
Chennai 600 002

Corporate Office

901-906, Nineth Floor 'Raheja Towers'
177, Anna Salai, 600 002
Tel: 044 28604066
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Website: www.sundaraminfotech.in

SUNDARAM INFOTECH SOLUTIONS LIMITED

A wholly-owned subsidiary of



SUNDARAM FINANCE LIMITED

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Directors' Report

Your Directors have pleasure in presenting the Third Annual Report and Audited Accounts of the Company for the year ended 31st March, 2008.

The summarised financial results of the Company, are given hereunder:

(Rs. in lakhs)

Particulars	Year ended 31.03.2008	Year ended 31.03.2007
Total Income	862.32	682.98
Total Expenditure	1444.65	1081.15
Loss before Tax	(582.33)	(398.17)
Taxation	0.93	12.16
Loss after Tax	(583.26)	(410.33)

REVIEW OF OPERATIONS

Your company has shown considerable progress during the financial year 2007-08 in terms of revenues. The revenues earned during the year stood at Rs.862.32 lakhs showing an increase of 26% over the previous year. During this year, your company's branches at Australia, Singapore and US became operational.

Your company won the prestigious Microsoft Dynamics President Club membership award for the year 2007-08. Your company also won the first Microsoft Dynamics AX customer in Sri Lanka. During the year, your company has successfully developed SmartLend Lite on Microsoft Navision platform, a solution for medium sized lending institutions. Also, major business development effort has been initiated and it is expected to improve the sales pipeline.

CHIEF EXECUTIVE OFFICER

Your Board of Directors has appointed Sri Malli J. Sivakumar as Manager under the Companies Act, 1956, for a period of 5 years with effect from 01.04.2008 and designated him as Chief Executive Officer of the Company. Necessary resolution is submitted for your consent.

DIRECTOR

Sri T. T. Srinivasaraghavan, retires by rotation and, being eligible, offers himself for re-election. Necessary resolution is submitted for your approval.

DIRECTORS' RESPONSIBILITY STATEMENT

Your directors confirm that:

- in the preparation of the annual accounts, the applicable accounting standards have been followed;

- they 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 loss of the Company for that period;
- they 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; and
- they have prepared the annual accounts on a going-concern basis.

INFORMATION AS PER SECTION 217(1)(e) OF THE COMPANIES ACT, 1956

Your Company has no activity relating to conservation of energy or technology absorption. During 2007-08, expenditure in foreign currencies amounted to Rs.261.41 lakhs and foreign Currency earnings amounted to Rs.466.68 lakhs.

PERSONNEL

None of the employees of the Company is in receipt of remuneration in excess of limits prescribed under Section 217(2A) of the Companies Act, 1956.

DEPOSITS

Your Company has not accepted any public deposit during the period under review.

AUDITORS

M/s Brahmayya & Co, Chartered Accountants, Chennai, retire and are eligible for reappointment. A certificate under Section 224(1B) of the Companies Act, 1956 has been received from them.

ACKNOWLEDGEMENT

Your Directors thank the holding company, Sundaram Finance Ltd. for its support. They also wish to place on record their appreciation of all the employees of the Company for their sincere and dedicated service.

Chennai 600 002
Date :20th May 2008

T.T. Srinivasaraghavan
Srinivas Acharya
S. Venkatesan
Directors

Auditors' Report

To the Members of M/s.Sundaram Infotech Solutions Limited

1. We have audited the attached Balance Sheet of Sundaram Infotech Solutions Limited, (the Company) as at 31st March 2008, the Profit and Loss Account and the Cash Flow Statement of the Company for the year on that date, annexed thereto which we have signed under reference to this report. 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.
2. We conducted our audit in accordance with the 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 the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 as amended by the Companies (Auditor's Report) (Amendment) Order, 2004 (together the 'Order') issued by the Central Government in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, (the Act) we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above, we report that:
 - (i) we have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit.
 - (ii) in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books.
 - (iii) the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account.
 - (iv) in our opinion, the Balance Sheet, Profit and Loss Account and the Cash flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956, to the extent applicable.
 - (v) on the basis of written representations received from the directors, as on 31st March 2008 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2008 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956, and
 - (vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March 2008;
 - (b) in the case of the Profit and Loss Account, of the loss 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 **BRAHMAYYA & CO.,**
Chartered Accountants

L. RAVI SANKAR

Partner

Membership No.25929

Chennai
20th May 2008

Annexure to the Auditors' Report referred to in Paragraph 3 of our Report of even date

1. The Company is maintaining proper records showing full particulars, including quantitative details and situation of fixed assets. Fixed assets have been physically verified by the management during the year, which in our opinion is reasonable having regard to the size of the Company and the nature of fixed assets. No discrepancies noticed on such verification. There was no disposal of fixed assets during the year.
2. a) (i) The Company has taken a unsecured loan from a Company covered in the register maintained under Section 301 of the Act. The maximum amount involved during the year was Rs.7,33,69,000/-. The balance outstanding at the end of the year was Rs.7,33,69,000/-.
 - (ii) Based on the information and explanations given to us, the rate of interest and other terms and conditions of the loan are prima-facie not prejudicial to the interest of the Company.
 - (iii) Apart from the above, the Company has not taken any loans, secured or unsecured from companies or other parties covered in the register maintained under Section 301 of the Companies Act, 1956.
- b) In our opinion and according to the information and explanations given to us, the Company has not granted any loan secured or unsecured to companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Therefore, the provisions of clauses (iii) (c) and (iii) (d) of paragraph 4 of the Order are not applicable.
3. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchases of fixed assets and sale of services. During the course of our audit, no major weaknesses have been noticed in the internal controls and therefore the reporting of the same does not arise.
4. In our opinion, and according to the information and explanations given to us, the transactions that need to be entered into a register in pursuance of Section 301 of the Act have been so entered.
5. The Company has not accepted deposits from public.
6. The Company has an internal audit system, which in our opinion, is commensurate with the size and the nature of its business.
7. The Central Government has not prescribed the maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956.
8. a) According to the records of the Company, income tax, sales tax and service tax was regularly deposited during the period with the appropriate authorities.
 - b) According to the information and explanations given to us, there are no undisputed amounts payable in respect of income tax, sales tax and service tax which are outstanding as at 31st March, 2008 for a period of more than six months from the date they become payable.
9. According to the records of the Company and the information and explanations given to us, there are no dues of income tax, sales tax and service tax which have not been deposited on account of any dispute.
10. The Company has accumulated losses at the end of the financial year and has incurred cash loss during the current year.
11. The Company has an overdraft facility from a banker, apart from the above, the Company does not have any borrowing from financial institutions or by issue of debentures.
12. According to the information and explanations given to us, the Company has not:
 - a) granted loans or advances on the basis of security by way of pledge of shares, debentures and other securities.
 - b) given any guarantees for loan taken by others from banks or financial institutions.
 - c) availed any term loan during the year.
 - d) raised funds during the year.
 - e) issued any debentures during the year.
 - f) raised monies by public issue during the year.
13. The Company is not a chit fund / nidhi / mutual benefit fund or society.
14. Based on our examination of records and information and explanations given to us, proper records have been maintained of the transactions and contracts relating to dealing in securities and timely entries have been made therein. The securities have been held by the Company in its own name.
15. To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the Company was noticed or reported during the year.
16. In our opinion and according to the information and explanations given to us, the nature of the company's business/ activities during the year have been such that clauses ii, xiii and xviii of paragraph 4 of the Companies (Auditors Report) Order, 2003 are not applicable to the Company.

Chennai
20th May 2008

For **BRAHMAYYA & CO.**,
Chartered Accountants
L. RAVI SANKAR
Partner
Membership No.25929

Balance Sheet

as at 31st March, 2008

Schedule	31.03.2008 Rs.	31.03.2007 Rs.
I SOURCES OF FUNDS		
1 Shareholders' Funds		
a) Share Capital	4,00,00,000	1,90,00,000
b) Reserves and Surplus	-	-
2 Loan Funds		
a) Secured Loans	81,73,786	-
b) Unsecured Loans	7,33,69,000	5,93,75,000
3 Deferred Tax Liability		
a) Deferred Tax Liability (Net)	3,02,780	6,88,110
Total	<u>12,18,45,566</u>	<u>7,90,63,110</u>
II APPLICATION OF FUNDS		
1 Fixed Assets		
a) Gross Block	1,40,19,106	92,95,323
b) Less: Depreciation	54,58,080	20,38,451
c) Net Book Value	-	-
	85,61,026	72,56,872
2 Investments		
	-	-
3 Current Assets, Loans and Advances		
a) Current Assets	24,63,576	59,45,956
b) Loans and Advances	1,93,77,175	2,87,55,728
(A)	<u>2,18,40,751</u>	<u>3,47,01,684</u>
Less: Current Liabilities and Provisions		
a) Current Liabilities	1,53,65,715	1,14,11,635
b) Provisions	-	-
(B)	<u>1,53,65,715</u>	<u>1,14,11,635</u>
Net Current Assets	(A-B) 64,75,036	2,32,90,049
4 Miscellaneous Expenditure		
a) Preliminary expenses (to the extent not written off or adjusted)	65,291	97,936
b) Debit balance in Profit and Loss Account	10,67,44,213	4,84,18,253
	10,68,09,504	4,85,16,189
Total	<u>12,18,45,566</u>	<u>7,90,63,110</u>
Notes to the Accounts	16	

As per our report of even date Attached
For **Brahmayya & Co.**,
Chartered Accountants
L. Ravi Sankar
Partner
Chennai
20th May, 2008

T.T. Srinivasaraghavan

Srinivas Acharya

S Venkatesan

K.Rajagopal
Secretary

Directors

Profit and Loss Account

for the year ended 31st March 2008

	Schedule	2007-08 Rs.	2006-07 Rs.
<u>INCOME</u>			
Income from Operations	10	8,59,06,000	6,81,51,198
Other Income	11	3,25,642	1,46,428
Total	(A)	<u>8,62,31,642</u>	<u>6,82,97,626</u>
<u>EXPENDITURE</u>			
Software license	12	1,55,32,072	1,16,45,557
Marketing and Selling Expenses		34,235	9,65,610
Financial Expenses	13	53,22,776	29,00,353
Establishment Expenses	14	7,18,17,191	6,05,78,146
Administrative and Other Expenses	15	4,76,04,921	2,99,58,463
Preliminary expenses written off		32,645	32,645
Depreciation		41,20,732	20,34,431
Total	(B)	<u>14,44,64,572</u>	<u>10,81,15,205</u>
Loss before Tax	(A-B)	<u>(5,82,32,930)</u>	<u>(3,98,17,579)</u>
Taxation			
Deferred tax		(3,85,330)	8,31,504
Fringe Benefit Tax		4,78,360	93,030
Loss after Tax		<u>(5,83,25,960)</u>	<u>(4,10,33,158)</u>
Balance Loss brought forward from previous year		4,84,18,253	70,81,146
Add: Transitional adjustment in respect of AS-15 (revised) Employee Benefits		-	4,84,18,253
		<u>4,84,18,253</u>	<u>3,03,949</u>
Loss for the year carried to Balance Sheet		<u>(10,67,44,213)</u>	<u>(4,84,18,253)</u>
Notes to the Accounts	16		
Earnings per Equity Share (Refer Note 4.3 Schedule 16)			
Face Value per Equity Share (in Rupees)		10	10
Number of Equity Shares		40,00,000	40,00,000
Weighted Average Number of Equity Shares		33,15,574	10,04,932
Basic and Diluted earnings per share (in Rupees)		(17.59)	(40.83)

As per our report of even date Attached
For **Brahmayya & Co.,**
Chartered Accountants
L. Ravi Sankar
Partner
Chennai
20th May, 2008

K.Rajagopal
Secretary

T.T. Srinivasaraghavan
Srinivas Acharya
S Venkatesan
Directors

SCHEDULES

(In Rupees)

	31.03.2008	31.03.2007
1 Share Capital		
Authorised		
40,00,000 Equity Shares of Rs. 10/- each	4,00,00,000	4,00,00,000
Issued and Subscribed		
40,00,000 Equity Shares of Rs. 10/- each	4,00,00,000	4,00,00,000
Paid-up Capital		
40,00,000 Equity Shares of Rs. 10/- each fully paid-up	4,00,00,000	1,90,00,000
	4,00,00,000	1,90,00,000
2 Secured Loan		
From Scheduled Bank	81,73,786	-
	81,73,786	-
3 Unsecured Loan		
From Holding Company	7,33,69,000	5,93,75,000
	7,33,69,000	5,93,75,000
4 Deferred Tax Liability (Net)		
Deferred Tax Liability	4,44,759	7,43,725
Less: Deferred Tax Asset	1,41,979	55,615
	3,02,780	6,88,110

(in Rs.)

5. Fixed Assets

DESCRIPTION	GROSS BLOCK AT COST				DEPRECIATION				NET BLOCK	
	Cost as at 31.03.2007	Addition during the year	Deduction during the year	Cost as at 31.03.2008	Upto 31.03.2007	Additions during the year	Deductions during the year	Upto 31.03.2008	At at 31.03.2008	As at 31.03.2007
Own Assets										
Computer System	85,92,697 (-)	33,64,571 (84,72,097)	32,97,624 (-)	86,59,644 (85,92,697)	18,50,756 (4,020)	34,15,093 (18,46,736)	6,94,638 (-)	45,71,211 (18,50,756)	40,88,433 (67,41,941)	67,41,941 (1,16,580)
Office Equipment	31,087 (-)	4,14,070 (31,087)	2,78,846 (-)	1,66,311 (31,087)	31,079 (-)	18,734 (31,079)	6,465 (-)	43,348 (31,079)	1,22,963 (8)	8 (-)
Furniture and Fixtures	55,037 (-)	-	-	55,037 (55,037)	40,145 (-)	2,696 (40,145)	-	42,841 (40,145)	12,196 (14,892)	14,892 (-)
Plant and Machinery	1,25,150 (-)	-	-	1,25,150 (1,25,150)	1,451 (-)	17,207 (1,451)	-	18,658 (1,451)	1,06,492 (1,23,699)	1,23,699 (-)
Intangible Assets – Computer Software	4,91,352 (-)	7,90,483 (4,91,352)	-	12,81,835 (4,91,352)	1,15,020 (-)	2,07,700 (1,15,020)	-	3,22,720 (1,15,020)	9,59,115 (3,76,332)	3,76,332 (-)
Leased Assets										
Computers	-	34,29,529 (-)	-	34,29,529 (-)	-	4,22,175 (-)	-	4,22,175 (-)	30,07,354 (-)	- (-)
Office Equipments	-	3,01,600 (-)	-	3,01,600 (-)	-	37,127 (-)	-	37,127 (-)	2,64,473 (-)	- (-)
Total	92,95,323	83,00,253	35,76,470	1,40,19,106	20,38,451	41,20,732	701,103	54,58,080	85,61,026	72,56,872
Previous year	1,20,600	91,74,723	-	92,95,323	-	20,34,431	-	20,38,451	72,56,872	1,16,580

(In Rupees)

SCHEDULES

	31.03.2008		31.03.2007	
6 Current Assets				
Cash and bank balances				
Cash on hand	4,000		4,000	
With scheduled banks in Current Account	24,59,576	24,63,576	59,41,956	59,45,956
		<u>24,63,576</u>		<u>59,45,956</u>
7 Loans and Advances				
Advances and deposits recoverable in cash or in kind or for value to be received		19,79,681		54,82,854
Income Receivable		1,23,13,089		2,14,35,338
Tax Deducted At Source		50,72,358		18,29,129
Advance Fringe Benefit Tax (Net of provision)		12,047		8,407
		<u>1,93,77,175</u>		<u>2,87,55,728</u>
8 Current Liabilities*				
Sundry Creditors				
– For expenses		32,65,151		20,48,295
– For other finance		1,21,00,564		93,63,340
		<u>1,53,65,715</u>		<u>1,14,11,635</u>
* There are no amounts due and outstanding to be credited to Investor Education and Protection Fund				
9 Miscellaneous Expenditure				
Preliminary expenses incurred		97,935		1,30,581
Less: Written off during the year		32,645		32,646
		<u>65,290</u>		<u>97,935</u>

SCHEDULES

	31.03.2008	31.03.2007
		(In Rupees)
10 Income from Operations		
Services	6,25,72,899	4,84,49,648
Sale of software license	2,33,33,101	1,97,01,550
	<u>8,59,06,000</u>	<u>6,81,51,198</u>
11 Other Income		
Interest receipts	11,519	822
Dividend Income	1,05,615	1,45,108
Profit on sale and lease back of assets	87,679	–
Miscellaneous Income	1,20,829	498
	<u>3,25,642</u>	<u>1,46,428</u>
12 Software License		
Purchase of Software License	1,55,32,072	1,16,45,557
	<u>1,55,32,072</u>	<u>1,16,45,557</u>
13 Financial Expenses		
Interest on Fixed Loans	50,83,929	27,39,645
Other Financial Expenses	2,38,847	1,60,708
	<u>53,22,776</u>	<u>29,00,353</u>
14 Establishment Expenses		
Salaries and other allowances	6,82,03,296	5,72,86,398
Company's contribution to Provident Fund and Superannuation	23,62,071	19,56,855
Staff welfare expenses	9,07,159	12,16,161
Gratuity	3,44,665	1,18,732
	<u>7,18,17,191</u>	<u>6,05,78,146</u>
15 Administrative and other expenses		
Rent	1,43,82,366	81,70,725
Communication expenses	12,59,856	2,05,845
Electricity expenses	25,37,300	21,80,255
Travelling and conveyance	1,89,29,626	1,34,33,649
Insurance	4,18,964	3,81,851
Repairs and Maintenance	32,97,908	27,52,650
Professional fees	43,85,594	5,40,960
Miscellaneous expenses	23,93,307	22,92,528
	<u>4,76,04,921</u>	<u>2,99,58,463</u>

SCHEDULES

16. NOTES TO THE ACCOUNTS

1. SIGNIFICANT ACCOUNTING POLICIES

1.1 The financial statements are prepared and presented under the historical cost convention and on the accrual basis of accounting and they comply with the relevant provisions of the Companies Act, 1956 and the Accounting Standards issued by the Institute of Chartered Accountants of India (ICAI), as applicable.

1.2 Income Recognition:

Income from sales and services are accounted on accrual basis.

1.3 Fixed Assets and Depreciation:

Fixed assets other than assets taken on lease are stated at historical cost less accumulated depreciation.

Depreciation on assets is provided on the Written Down Value Method at rates prescribed in Schedule XIV to the Companies Act, 1956. Assets acquired costing Rs.5000 or less are written down in the period of acquisition to Re.1.

In accordance with Accounting Standard – AS 19 – Leases issued by the ICAI, the Company has capitalized Computer System and Office Equipment taken on finance lease on or after 1st April 2001 as Fixed Assets and depreciated over the lease period.

1.4 Valuation of Investments:

Long-term investments are stated at cost and provision for diminution in value, other than temporary, is considered wherever necessary.

Current investments are valued at lower of cost and market value/net asset value.

1.5 Employee Benefits:

a) Short Term Employee Benefits:

Short Term Employee Benefits expected to be paid for the services rendered by employees are recognized during the period when the services are rendered.

B) Post employment benefits:

Defined Contribution Plan

(i) Provident Fund

The Company contributes to a Government administered Provident Fund, Pension Fund and Employees State Insurance on account of its employees.

(ii) Superannuation

Fixed contributions to the Superannuation Fund which is administered by trustees and managed by the Life Insurance Corporation of India (LIC) are charged to the Profit and Loss Account. The Company does not have liability for future Superannuation Fund benefits other than its annual contributions and recognizes such contributions as an expenses in the period in which it is incurred.

Defined Benefit Plan

(i) Gratuity

The Company makes an annual contribution to a Gratuity Fund administered by trustees and managed by LIC. The company accounts its liability for future gratuity benefits based on actuarial valuation, as at balance sheet date, determined every year by LIC using the Projected Unit Credit method.

(ii) Leave Encashment

Liability on account of encashment of leave of employees is provided on actual basis.

The actuarial gain/loss arising in the above benefit plans has been duly recognized in the Profit and Loss account.

SCHEDULES

15. NOTES TO THE ACCOUNTS (Contd.)

1.6 Taxation:

Current Tax is provided on the taxable income for the year.

Deferred Tax Liabilities on the timing difference are fully provided for. Deferred Tax Assets are recognised on the consideration of prudence.

1.7 Intangible Assets:

Items of Computer software acquired are recorded as intangible assets and their cost is amortized over their expected useful life.

1.8 Impairment of Assets:

The carrying amounts of assets are reviewed at each balance sheet date to ascertain impairment based on internal / external factors. An impairment loss is recognized when the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is higher of the net selling price of the assets and their value in use.

1.9 Provisions:

Provisions are recognised when the company has present legal or constructive obligations, as a result of past events, for which it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made for the amount of the obligation.

1.10 Preliminary Expenses incurred for the incorporation of the company are written off in five equal installments.

2. BALANCE SHEET

2.1 Secured Loans:

From Schedules Banks: The cash credit facility is secured by book debts.

2.2 In respect of leased assets forming part of fixed assets, the Company has committed future lease payments as detailed below:

	Future Lease payments Rs.	Principal Outstanding Rs.
Upto 1 year	9,22,230	6,59,123
2 to 5 years	33,76,715	28,67,792
Above 5 years	Nil	Nil

3. PROFIT AND LOSS ACCOUNT

3.1 Income from Trading:

The details relating to trading items are as under:

	2007-08		2006-07	
	Qty	Rs.	Qty	Rs.
Purchases	814	1,55,32,072	408	1,16,45,557
Sales	814	2,33,33,100	408	1,97,01,550

3.2 Miscellaneous expenses under "Administrative and other expenses" include remuneration to Auditors towards: (Rs.)

	2007-08	2006-07
Statutory Audit	25,000	15,000
Tax Audit	8,000	5,000
Certification	25,000	15,000
Service Tax	7,169	4,326

SCHEDULES

15. NOTES TO THE ACCOUNTS (Contd.)

3.3 Profit arising out of sale and leaseback of fixed assets has been recognized over the lease period in proportion to the depreciation charged on those assets, as required by Accounting Standard – AS 19 – Leases.

3.4 Employee Benefits:

i) Defined Contribution Plan:

Company's Contribution to	Rs.
i) Super Annuation Fund	63,090.65
ii) Provident Fund	8,83,760.00
iii) Employees State Insurance	60,864.00

ii) Defined Benefit Plan:

Gratuity

A. Reconciliation of opening and closing balances of present value of the defined benefit obligation

	Rs.
Present value of obligations as at 01.04.2007	3,31,356
Interest cost	18,826
Current service cost	2,36,232
Benefits paid	1,60,673
Actuarial loss on obligation	2,37,236
Present value of obligations as at 31.03.2008	6,62,977

B. Reconciliation of opening and closing balances of fair value of Plan Assets Fund maintained by LIC

	Rs.
Fair value of plan assets at 01.04.2007	3,58,236
Expected return on plan assets	30,867
Contributions	2,67,311
Benefits paid	1,60,673
Actuarial gain on plan assets	747
Fair value of plan assets at 31.03.2008	4,96,488

C. Reconciliation of present value of defined benefit obligation and fair value of plan assets to the assets and liabilities

	Rs.
Present value of obligations as at 31.03.2008	6,62,977
Fair value of plan assets as at 31.03.2008	4,96,488
Net liability recognized in the balance sheet	1,66,489

SCHEDULES
15. NOTES TO THE ACCOUNTS (Contd.)

D.	Expenses recognized in the profit and loss statement		Rs.
	Current Service cost		2,36,232
	Interest Cost		18,826
	Expected return of plan assets		30,867
	Net Actuarial loss recognized in the year		2,36,489
	Expenses to be recognized in the profit & loss		4,60,680
E.	Details showing fair value of plan assets		
	Fair value of plan assets at 01.04.2007		3,58,236
	Actual return on plan assets		31,614
	Contributions		2,67,311
	Benefits paid		1,60,673
	Fair value of plan assets at 31.03.2008		4,96,488
F.	Actuarial Gain/Loss recognized		
	Actuarial loss on obligation		2,37,236
	Actuarial gain on plan assets		747
	Total loss for the year		2,36,489
	Actuarial loss recognized in the year		2,36,489
G.	Actuarial assumptions	31-03-2008	31-03-2007
	Discount Rate	8.0%	7.5%
	Salary Increment	4.5%	3.5%
	Mortality rates		Based on LIC (1994-1996)

4. GENERAL

4.1 Related Party disclosures: In accordance with the Accounting Standard – AS 18 – Related Party Disclosures, issued by ICAI, the details of related parties and the transactions with related parties are given below.

Holding Company:

Sundaram Finance Limited

Fellow Subsidiaries:

Sundaram BNP Paribas Home Finance Limited.

Sundaram BNP Paribas Asset Management Company Limited.

Sundaram BNP Paribas Trustee Company Limited

Sundaram Finance Distribution Limited.

LGF Services Limited.

Sundaram Business Services Limited.

Infreight Logistics Solutions Limited

Professional Management Consultants Private Limited (From 16/05/2007)

Associate:

Sundaram BNP Paribas Mutual Fund.

SCHEDULES

15. NOTES TO THE ACCOUNTS (Contd.)

The nature and volume of transactions of the company during the year, with the related parties are as follows.

(In Rupees)				
Nature of Transactions	Holding Company	Fellow Subsidiaries	Associate	Total 2007-08
INCOME				
Income from Operations	1,25,07,529 (-)			1,25,07,529 (-)
EXPENSES				
Rent	1,42,74,015 (81,70,725)			1,42,74,015 (81,70,725)
Payroll Processing	1,00,150 (1,28,065)			1,00,150 (1,28,065)
Interest	47,25,032 (27,39,572)			47,25,032 (27,39,572)
ASSETS				
Investment in Trust Securities			2,47,00,000 (4,70,00,000)	2,47,00,000 (4,70,00,000)
Disinvestments in Trust Securities			2,48,05,615 (4,71,45,108)	2,47,11,519 (4,71,45,108)
Income Receivables	3,45,950 (-)			3,45,950 (1,39,864)
LIABILITIES				
Share Capital				
Received during the year	2,10,00,000			2,10,00,000
As on 31.03.2008	4,00,00,000 (1,90,00,000)			4,00,00,000 (1,90,00,000)
Loan				
Received during the year	3,40,00,000			3,40,00,000
Outstanding as on 31.03.2008	7,33,69,000 (5,93,75,000)			7,33,69,000 (5,93,75,000)

No amount has been written off/written back during the year.

- 4.2 a) The company does not owe any amount to a Small Scale Industrial Undertaking.
- b) There is no amount due to Small Scale Industries in terms of "The Micro, Small and Medium Enterprises Development Act, 2006".

SCHEDULES
15. NOTES TO THE ACCOUNTS (Contd.)

4.3 Earnings per share (Basic and Diluted):	2007-08	2006-07
A. Loss for the year after taxation (Rs.)	(5,83,25,960)	(4,10,33,158)
B. Total number of equity shares of Rs. 10/- each outstanding at the end of the year (in numbers)	40,00,000	40,00,000
C. Weighted average number of equity shares	33,15,574	10,04,932
D. Basic and diluted earnings per share (Rs.)	(A/C) (17.59)	(A/C) (40.83)
4.4 Expenditure in foreign currency (on accrual basis):	2007-08	2006-07
Professional and Consultancy Fee (Rs.)	20,90,418	22,37,815
Other matters – Marketing, Traveling etc. (Rs.)	2,40,50,765	1,92,45,508
4.5 Earnings in Foreign Currency (on accrual basis):		
Sale of Software License and Services (Rs.)	4,66,67,985	2,48,68,928
4.6 Previous year's figures have been regrouped wherever necessary to conform to the current year's classification.		
4.7 Figures have been rounded off to the nearest rupee.		

Signatures to Schedules 1 to 16

As per our report of even date Attached
For **Brahmayya & Co.,**
Chartered Accountants
L. Ravi Sankar
Partner
Chennai
20th May, 2008

K.Rajagopal
Secretary

T.T. Srinivasaraghavan
Srinivas Acharya
S Venkatesan
Directors

CASH FLOW STATEMENT

For Year Ended 31/03/2008

	2007-08 Rs.	2006-07 Rs.
A) CASH FLOW FROM OPERATING ACTIVITIES:		
Net Loss	(5,83,25,960)	(4,10,33,158)
Add: Preliminary expenses written off	32,645	32,645
Provision for Taxation	93,030	12,15,579
	(5,82,00,285)	(3,97,84,934)
Add: Financial Expenses	53,22,776	29,00,353
Depreciation	41,20,732	20,34,431
Interest Received	(11,519)	-
Dividend Received	(1,05,615)	(1,45,108)
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	(4,88,73,911)	(3,49,95,258)
(Increase) Decrease in Loans and Advances	93,82,193	(38,18,022)
Increase (Decrease) in Current Liabilities	39,54,080	28,17,098
Cash generated from Operations	1,33,36,273	(10,00,924)
Financial Expenses	(53,22,776)	(3,59,96,182)
Direct Taxes Paid	(4,82,000)	(29,00,353)
NET CASH FROM OPERATING ACTIVITIES (A)	(4,13,42,414)	(3,92,99,017)
B) CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(54,24,886)	(91,74,723)
Purchase of Investments	(2,47,00,000)	(4,70,00,000)
Sale of Investments	2,47,00,000	4,70,00,000
Interest / Dividend Received	11,519	-
Interest / Dividend Received	1,05,615	1,45,108
NET CASH FROM INVESTING ACTIVITIES (B)	(53,07,752)	(90,29,615)
C) CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from issue of Equity Shares	2,10,00,000	90,00,000
Increase (Decrease) in long term borrowings	2,21,67,786	4,43,75,000
NET CASH FROM FINANCING ACTIVITIES (C)	4,31,67,786	5,33,75,000
NET INCREASE IN CASH AND CASH EQUIVALENTS (A)+(B)+(C)	(34,82,380)	50,46,368
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	59,45,956	8,99,588
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	24,63,576	59,45,956
 COMPONENTS OF CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		
Current Account with Banks	24,59,576	59,41,956
Cash, Stamps and Stamp Papers on Hand	4,000	4,000
	24,63,576	59,45,956

As per our report of even date Attached
For **Brahmayya & Co.**,
Chartered Accountants
L. Ravi Sankar
Partner
Chennai
20th May, 2008

K.Rajagopal
Secretary

T.T. Srinivasaraghavan
Srinivas Acharya
S Venkatesan
Directors