

LGF SERVICES PRIVATE LIMITED

1st Annual Report 2004 - 05



LGF SERVICES PVT. LTD.



Board of Directors

P Viswanathan
Chairman

G Sundararajan

S Srinivasan

Bankers

Kotak Mahindra Bank Ltd.
Anna Salai, Teynampet, Chennai 600 018

Auditors

M/s Brahmayya & Co.
Chartered Accountants
Chennai 600 001

Registered Office

Desabandhu Plaza, Second Floor
47, Whites Road, Chennai 600 014





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Directors' Report

Your Directors present the Annual Report and Audited Accounts for the period from 23rd January 2004 being the date of incorporation of the Company to 31st March 2005. The Company was incorporated as a Private Limited Company; steps have been taken to convert the same into a Public Limited Company.

Your Company became a corporate agent for distributing the insurance products of Ms Oriental Insurance Company Ltd on 17th June 2004. During the period ended 31st March 2005, your Company earned a total commission of Rs.65.69 lakhs and a net profit after tax of Rs.27.60 lakhs. Your Company would explore the possibility of entering into the distribution of various financial products.

CAPITAL

The Authorised Capital of your Company was increased from Rs.1.00 lakh to Rs.25 lakhs in May 2004. and the Paid up Capital was increased from Rs.1.00 lakh to Rs.5.00 lakhs during March 2005.

DIVIDEND

Your Directors are happy to recommend a dividend of 100% on the Paid up Capital of Rs.5.00 lakhs, amounting to Rs.5.71 lakhs (inclusive of dividend tax). The right shares issued during March 2005 also qualify for full year's dividend.

DIRECTORS

Sri V K Raman, one of the first directors, relinquished his office on 15th March 2004. Your directors wish to place on record their sincere appreciation of the valuable contribution made by him to the company.

Sri. G Sundararajan and Sri S Srinivasan were co-opted as Additional Directors of your company on 16th February 2004 and 17th June 2004 respectively. Under Section 260 of the Companies Act, 1956, they hold office upto the date of the ensuing Annual General Meeting.

Sri. P Viswanathan, a first director holds office upto the First Annual General Meeting.

The company has received due notices from members proposing the appointment of Sarvashri P Viswanathan, G Sundararajan and S Srinivasan as Directors of the Company

DIRECTORS' RESPONSIBILITY STATEMENT

In terms of Section 217(2AA) of the Companies Act, 1956, your directors confirm:

- (i) that in the preparation of the annual accounts, the applicable accounting standards had been followed;

- (ii) that the applicable accounting policies have been consistently followed and that they had made judgments and estimates that are reasonable and prudent, so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that period;
- (iii) that they had 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
- (iv) that they had 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. Your Company did not have any foreign exchange earnings or outgo during the year.

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

Ms Brahmaya & Co., Chartered Accountants, Chennai, were appointed as first-auditors of the Company and their term of office expires at the ensuing Annual General Meeting. They, being eligible, offer themselves for appointment. A Certificate under Section 224 (1B) of the Companies Act, 1956 has been obtained from them.

ACKNOWLEDGEMENT

Your Directors take this opportunity to thank the customers, Ms Oriental Insurance Company Ltd, and the holding company, Sundaram Finance Ltd, for their support.

For and on behalf of the Board

Chennai 600 014
1st June, 2005

P VISWANATHAN
Chairman



Auditors' Report

To the members of M/s. LGF Services Private Limited, Chennai

1. We have audited the attached balance sheet of M/s. LGF Services Private Limited, as at 31st March 2005, and the profit and loss account and the cash flow statement for the period pertaining from the date of incorporation i.e., 23rd January, 2004 to 31st March, 2005 annexed thereto. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
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 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 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 2005 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2005 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
 - (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 2005;
 - (b) in the case of the profit and loss account, of the profit for the period ended on that date; and
 - (c) in the case of the cash flow statement, of the cash flows for the period ended on that date.

For **BRAHMAYYA & CO.**,
Chartered Accountants

Chennai
1st June 2005.

L. RAVI SANKAR
Partner
Membership No. 25929



Balance Sheet as at 31st March, 2005

	Schedule	31.03.2005	
		Rs.	Rs.
I SOURCES OF FUNDS:			
1. Shareholders' Funds			
(a) Capital	1	5,00,000	
(b) Reserves and Surplus	2	<u>21,90,352</u>	26,90,352
2. Loan Funds			
(a) Secured Loans		-	
(b) Unsecured Loans		-	-
Total			<u>26,90,352</u>
II APPLICATIONS OF FUNDS:			
1. Fixed Assets			
			-
2. Investments			
	3		20,00,000
3. Current Assets, Loans and Advances			
(a) Current Assets	4	14,07,616	
(b) Loans and Advances	5	<u>17,43,851</u>	
	(A)	<u>31,51,467</u>	
Less: Current Liabilities and Provisions			
(a) Current Liabilities	6	18,97,142	
(b) Provisions	7	<u>5,70,125</u>	
	(B)	<u>24,67,267</u>	
Net Current Assets	(A-B)		6,84,200
4. Miscellaneous Expenditure			
(to the extent not written off or adjusted)	8		<u>6,152</u>
Total			<u>26,90,352</u>
Notes to the Accounts	14		

As per our report of even date attached

For Brahmayya & Co.,

Chartered Accountants

L.Ravi Sankar

Partner

Membership No.25929

Chennai

1st June, 2005

P.Viswanathan

Chairman

G.Sundararajan

S.Srinivasan

Directors



Profit and Loss Account

for the period 23rd January, 2004 (Date of Incorporation) to 31st March, 2005.

	Schedule	Period ended 31.03.2005 Rs.
<u>INCOME:</u>		
Income from Operations	9	65,68,686
Other Income	10	2,236
Total	(A)	<u>65,70,922</u>
<u>EXPENDITURE:</u>		
Financial expenses	11	16,541
Establishment expenses	12	1,85,216
Administrative and other expenses	13	19,57,150
Preliminary expenses written off		1,538
Total	(B)	<u>21,60,445</u>
Profit Before Tax	(A-B)	44,10,477
<u>Less:</u>		
Provision for Income tax		16,50,000
Amount available for Appropriation		<u>27,60,477</u>
<u>APPROPRIATIONS:</u>		
Dividend		
- Final (proposed)		5,00,000
- Dividend Tax		70,125
General Reserve		15,00,000
Surplus- Balance carried to Balance Sheet		6,90,352
		<u>27,60,477</u>
Notes to the Accounts	14	

As per our report of even date attached

For Brahmaya & Co.,

Chartered Accountants

L.Ravi Sankar

Partner

Membership No.25929

Chennai

1st June, 2005

P.Viswanathan

Chairman

G.Sundararajan

S.Srinivasan

Directors



Schedules

		31.03.2005
	Rs.	Rs.
1. Capital		
Authorised		
2,50,000 Equity shares of Rs.10/- each		<u>25,00,000</u>
Issued, Subscribed and fully paid up		
50,000 Equity Shares of Rs.10/- each		<u>5,00,000</u>
(The equity Shares were held by Lakshmi General Finance Ltd -the Holding Company and its nominees. Lakshmi General Finance Limited has subsequently merged with Sundaram Finance Limited)		
2. Reserves and Surplus		
General Reserve		15,00,000
Surplus- Balance in Profit and Loss account		<u>6,90,352</u>
		<u>21,90,352</u>
3. Investments		
Current Investments		
Un quoted		
Non Trade - At Cost	Face Value	
In Trust Securities		
Sundaram Money Fund - Appreciation Scheme (1,43,471 units of Rs.10/- each purchased during the period)	14,34,710	<u>20,00,000</u>
4. Current Assets		
Interest Accrued		223
Cash and Bank Balances with Scheduled Bank In - Current Account - Deposit Account		<u>13,82,393</u> <u>25,000</u>
		<u>14,07,616</u>
5. Loans and Advances		
Advance Income Tax and Tax deducted at source (net of provision for Income Tax)		9,37,619
Income Receivable		<u>8,06,232</u>
		<u>17,43,851</u>
6. Current Liabilities		
Sundry Creditors - expenses - others		<u>15,04,077</u> <u>3,93,065</u>
		<u>18,97,142</u>



SCHEDULES

	2004-05
7. Provisions	
Dividend	
- Final	5,00,000
- Dividend Tax and Surcharge	70,125
	<u>5,70,125</u>
8. Miscellaneous Expenditure	
Preliminary expenses incurred during the period	7,690
Less: Written off during the period	1,538
	<u>6,152</u>



SCHEDULES

9. Income from Operations:

Insurance Agency Commission

2004-05

65,68,686

10. Other Income

Interest on bank deposits

2,236

2,236

11. Financial Expenses

Interest - others

16,541

12. Establishment Expenses

Salaries and Allowances

1,64,703

Company's Contribution to Provident Fund, Superannuation and Gratuity

20,513

1,85,216

13. Administrative and other expenses

Sourcing fee

18,74,000

Rates and taxes

55,854

Miscellaneous expenses

27,296

19,57,150



14. NOTES TO THE ACCOUNTS:

1 SIGNIFICANT ACCOUNTING POLICIES :

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

1.2 Income Recognition:

Income in respect of Insurance agency commission is accounted for on accrual basis.

1.3 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.

1.4 Retirement Benefits:

- a) The company's liability towards gratuity to the employees is covered by a Group Policy with Life Insurance Corporation of India.
- b) The company contributes to a group policy with Life Insurance Corporation of India towards a Superannuation scheme for its employees.
- c) Liability on account of encashment of leave to employees is provided on the basis of an actuarial valuation as on 31st March 2005.

1.5 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.

1.6 Preliminary Expenses

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

2. BALANCE SHEET :

2.1 . Advance payment of Income Tax and tax deducted at source is net of provision for taxation of Rs.16,50,000/-.

3. PROFIT AND LOSS ACCOUNT

3.1 The employee on the rolls of the company is on deputation from Lakshmi General Finance Ltd (subsequently merged with Sundaram Finance Limited).



3.2 Miscellaneous expenses under “Administrative and Other Expenses” include Remuneration to Auditors towards :

(in Rs.)

	For the period
Statutory Audit	15,000
Tax Audit	6,000
Service Tax	2,142
Total	23,142

GENERAL

4.1 The company is engaged primarily in the business of Insurance Agency. There are no separate reportable segments as per Accounting Standard AS 17 ‘ Segment Reporting’.

4.2 Related Party disclosures: In accordance with the Accounting Standard 18 - ‘Related Party Disclosures’, issued by ICAI, the details of related parties and the transactions with related parties are given below:

Related Party Transactions:

Holding Company:

Lakshmi General Finance Limited (since merged with Sundaram Finance Limited)

Fellow Subsidiaries:

Sundaram Home Finance Ltd.

Royal Sundaram Alliance Insurance Co. Ltd.

Sundaram Asset Management Company Ltd.

Sundaram Finance Trustee Company Ltd.

Sundaram Finance Distribution Ltd

Associate: Sundaram Mutual Fund

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

(In Rupees)

Nature of Transactions	Holding Company	Associate	Total
Expenses			
<u>Sundaram Finance Ltd.</u>			
- Sourcing Fee	18,74,000	—	18,74,000
- Interest	16,541	—	16,541
<u>Sundaram Mutual Fund</u>			
- Investment in Trust Securities	—	20,00,000	20,00,000
- Invesement in Trust Securities at the end of the year	—	20,00,000	—



No amount has been written off/written back during the period relating to the above transactions.

4.3 The company does not owe any amount to a Small Scale Industrial undertaking.

4.4 Earnings per share (Basic and diluted): For the period ended 31st March 2005

A. Profit for the year after taxation (Rs.)	27,60,477
B. Total number of equity shares of Rs.10/- each outstanding at the end of the period (in numbers)	50,000
C. Weighted average number of equity shares (10,000 equity shares of Rs.10/- per share, for full period and 40,000 equity shares of Rs.10/- per share for one month)	12,667
D. Basic earnings per share (Rs.) (A/C)	217.92

4.5 The Company was incorporated on 23rd January 2004. The financial statements pertain to the period from the date of incorporation to 31st March 2005. Therefore, there are no comparative figures for the previous period.

4.6 Figures have been rounded off to nearest rupee.

Signatures to Schedules 1 to 14

As per our report of even date attached

For Brahmayya & Co.,

Chartered Accountants

L.Ravi Sankar

Partner

Membership No.25929

Chennai

1st June, 2005

P.Viswanathan

Chairman

G.Sundararajan

S.Srinivasan

Directors



Balance Sheet Abstract and Company's General Business Profile

Information as required under Part IV of the Schedule VI of the Companies Act, 1956

I Registration Details

Registration No. State Code
 Balance Sheet Date
 Date Month Year

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

Public Issue	Rights Issue
<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/> <input type="text" value=""/> <input type="text" value=""/>	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="4"/> <input type="text" value="0"/> <input type="text" value="0"/> <input type="text" value=""/> <input type="text" value=""/>
Bonus Issue	Private Placement
<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/> <input type="text" value=""/> <input type="text" value=""/>	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/> <input type="text" value=""/> <input type="text" value=""/>

III Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)

Total Liabilities	Total Assets
<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="2"/> <input type="text" value="6"/> <input type="text" value="9"/> <input type="text" value="0"/>	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="2"/> <input type="text" value="6"/> <input type="text" value="9"/> <input type="text" value="0"/>
Sources of Funds	Reserves & Surplus
Paid up Capital	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="2"/> <input type="text" value="1"/> <input type="text" value="9"/> <input type="text" value="0"/>
<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="5"/> <input type="text" value="0"/> <input type="text" value="0"/>	Unsecured Loans
Secured Loans	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/> <input type="text" value=""/> <input type="text" value=""/>
<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/> <input type="text" value=""/> <input type="text" value=""/>	Investments
Applications of Funds	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="2"/> <input type="text" value="0"/> <input type="text" value="0"/> <input type="text" value="0"/>
Net Fixed Assets	Misc. Expenditure
<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/> <input type="text" value=""/> <input type="text" value=""/>	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="6"/>
Net Current Assets	
<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="6"/> <input type="text" value="8"/> <input type="text" value="4"/>	
Accumulated Losses	
<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/> <input type="text" value=""/> <input type="text" value=""/>	

IV Performance of Company (Amount in Rs. Thousands)

Turnover	Total Expenditure
<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="6"/> <input type="text" value="5"/> <input type="text" value="6"/> <input type="text" value="8"/>	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="2"/> <input type="text" value="1"/> <input type="text" value="6"/> <input type="text" value="0"/>
+ - Profit / (Loss) Before Tax	+ - Profit / (Loss) After Tax
<input checked="" type="checkbox"/> <input type="checkbox"/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="4"/> <input type="text" value="4"/> <input type="text" value="1"/> <input type="text" value="0"/>	<input checked="" type="checkbox"/> <input type="checkbox"/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="2"/> <input type="text" value="7"/> <input type="text" value="6"/> <input type="text" value="0"/>
(Please tick appropriate box + for profit, -loss)	
Earnings Per Share Rs. Ps.	Dividend Rate %
<input type="text" value=""/> <input type="text" value="2"/> <input type="text" value="1"/> <input type="text" value="7"/> <input type="text" value="."/> <input type="text" value="9"/> <input type="text" value="2"/>	<input type="text" value=""/> <input type="text" value="1"/> <input type="text" value="0"/> <input type="text" value="0"/>

V Generic Names of Three Principal Products / Services of Company (As per monetary terms)

Item Code No. (ITC Code) Not Applicable
 Product/Service Description



**Cash Flow Statement 23rd January, 2004 (Date of Incorporation)
To 31st March, 2005**

(In Rupees)

A) CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit	27,60,477	
Add: Provision for Taxation	16,50,000	
Preliminary expenses written off	1,538	
	44,12,015	
Less: Interest received	(2,236)	
Add: Financial Expenses	16,541	
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES		44,26,320
(Increase)/Decrease in Loans and Advances	(16,93,851)	
(Increase)/Decrease in Other Receivables	(223)	
Increase/(Decrease) in Current Liabilities	18,97,142	2,03,068
Cash generated from Operations		46,29,388
Preliminary expenses		(7,690)
Financial Expenses		(16,541)
Direct Taxes Paid		(17,00,000)
NET CASH FROM OPERATING ACTIVITIES (A)		29,05,157
B) CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Investments		(20,25,000)
Interest Received		2,236
Dividend Received		-
NET CASH FROM INVESTING ACTIVITIES (B)		(20,22,764)
C) CASH FROM FINANCING ACTIVITIES		
Increase in Capital		5,00,000
Increase (Decrease) in Bank Borrowings		-
Increase (Decrease) in long term borrowings		-
NET CASH FROM FINANCING ACTIVITIES (C)		5,00,000
NET INCREASE IN CASH AND CASH EQUIVALENTS (A) + (B) + (C)		13,82,393
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		-
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		13,82,393
COMPONENTS OF CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		
Current Account with Banks		13,82,393
Cash, Stamps and Stamp Papers on Hand		-

As per our report of even date attached

For Brahmaya & Co.,

Chartered Accountants

L.Ravi Sankar

Partner

Membership No.25929

Chennai

1st June, 2005

P.Viswanathan

Chairman

G.Sundararajan**S.Srinivasan**

Directors

Notes