

***SUNDARAM FINANCE DISTRIBUTION LIMITED***

*12th Annual Report 2005-06*

## Board of Directors

S Venkatesan

A N Raju

G C Rangan

## Bankers

State Bank of Travancore

ICICI Bank

## Auditors

M/s. Brahmaya & Co., Chennai

Chartered Accountants

## Registered Office

21, Patullos Road,

Chennai 600 002

**SUNDARAM FINANCE DISTRIBUTION LIMITED**

A wholly-owned subsidiary of



**SUNDARAM FINANCE**

*Enduring values. New age thinking.*

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**Contents**

Directors' Report	3
Secretarial Compliance Certificate	4
Auditors' Report	8
Balance Sheet	10
Profit and Loss Account	11
Schedules	12
Balance Sheet Abstract and Company General Business Profile	19
Cash Flow Statement	20

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## Directors' Report

Your Directors present the Twelfth Annual Report and Audited Accounts for the year ended 31st March, 2006.

### FINANCIAL RESULTS

(Rs. in Lakhs)

Particulars	Year ended	Year ended
	31.3.2006	31.3.2005
Profit after tax	100.30	18.87
Add: Surplus of Previous Year	112.61	93.75
<b>Amount available for appropriation</b>	<b>212.91</b>	<b>112.62</b>
Transfer to General Reserve	100.00	—
Dividend	50.00	—
Dividend Tax	7.01	—
Surplus carried to Balance Sheet	55.90	112.62

### BUSINESS REVIEW

During the year under review, the total commission earned through distribution of insurance products of M/s. National Insurance Company Limited and M/s. SBI Life Insurance Company Limited is Rs.136.10 lakhs as against Rs.119.12 lakhs in the previous year. Your Company earned an income of Rs.80.19 lakhs through distribution of various mutual fund/financial products as against Rs.5.57 lakhs in the previous year. The profit after tax for the year amounted to Rs.100.30 lakhs as against Rs.18.87 lakhs in the previous year.

### REDUCTION IN THE PAID-UP CAPITAL

During the year, the paid-up capital of the Company was reduced from Rs.1,50,00,000/- divided into 15,00,000 equity shares of Rs.10/- each to Rs.50,00,000/- divided into 5,00,000 equity shares of Rs.10/- each pursuant to the Order dated 23rd December 2005 passed by the Honourable High Court of Judicature at Madras.

### DIVIDEND

Your company paid an interim dividend of 100% (One Hundred percent) amounting to Rs.57.01 lakhs (inclusive of dividend tax) for the financial year 2005-06, on the paid-up capital of the company, consisting of 5,00,000 equity shares of Rs. 10/- each fully paid. Your Directors now propose that the interim dividend paid be treated as final dividend for the year.

### DIRECTORS

Sri G. C. Rangan, Director, retires by rotation and being eligible offers himself for re-election.

### 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 they had 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 or loss 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.

### SECRETARIAL COMPLIANCE CERTIFICATE

In accordance with Section 383A of the Companies Act, 1956, the Secretarial Compliance Certificate is attached with this report.

### 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

Your Company has no employees on its payroll. The provisions of Section 217 (2A) of the Companies Act, 1956, are not applicable.

### DEPOSITS

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

### AUDITORS

M/s Brahmaya & 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.

Chennai 600 002

Date : 22nd May 2006

**S Venkatesan**

**A N Raju**

**G C Rangan**

Directors

## Secretarial Compliance Certificate

Name of the Company : SUNDARAM FINANCE DISTRIBUTION LIMITED  
Registration No. : U67120TN1993PLC25996  
Authorized Capital : Rs.3,00,00,000/-  
Paid-up Capital : Rs.50,00,000/-

To,

The Members

Sundaram Finance Distribution Limited

21, Patullos Road,

Chennai – 600 002.

I have examined the registers, records, books and papers of **SUNDARAM FINANCE DISTRIBUTION LIMITED** (the Company) as required to be maintained under the Companies Act, 1956, (the Act) and the rules made thereunder and also the provisions contained in the Memorandum and Articles of Association of the Company for the financial year ended on 31st March 2006. In my opinion and to the best of information and according to the examinations carried out by me and explanations furnished to me by the Company, its officers and agents, I certify that in respect of the aforesaid financial year:

1. The Company has kept and maintained all registers as stated in Annexure 'A' to this certificate, as per the provisions and the rules made thereunder and all entries therein have been duly recorded.
2. The Company has filed the forms and returns as stated in Annexure 'B' to this certificate, with the Registrar of Companies, Regional Director, Central Government, Company Law Board or other authorities within the time prescribed under the Act and the rules made thereunder.
3. The Company is a Public limited Company and has the minimum prescribed paid up capital.
4. The Board of Directors duly met Six (6) times on 28th May 2005, 27th July 2005, 5th October 2005, 5th January 2006, 1st February 2006 and 31st March 2006 in respect of which meetings proper notices were given and proceedings were properly recorded and signed in the Minutes Book maintained for the purpose.
5. The Company was not required to close its Register of Members during the financial year ended 31st March 2006.
6. The Eleventh Annual General Meeting for the financial year ended 31st March, 2005 was held on 23rd June 2005 after giving due notice to the members of the Company and the resolutions passed thereat were duly recorded in the Minutes Book maintained for the purpose.
7. One Extra-Ordinary General Meeting was held on 10th August 2005 during the financial year ended 31st March 2006, after giving shorter notice to the members of the Company and the resolution passed thereat was duly recorded in the Minutes Book maintained for the purpose.
8. The Company has not advanced any loans or given any guarantees or provided any securities to its directors or persons or firms or companies referred to under Section 295 of the Act.
9. The Company has not entered into any contract falling within the purview of Section 297 of the Act.
10. The Company was not required to make any entries in the register maintained under Section 301 of the Act.
11. As there were no instances falling within the purview of Section 314 of the Act, the Company has not obtained any approvals from the Board of Directors, members or Central Government.
12. The Company has not issued any duplicate share certificates during the financial year ended 31st March 2006.
13. The Company:
  - (i) has not effected any allotment / transfer/ transmission of securities during the financial year ended 31st March 2006.
  - (ii) has deposited the amount of interim dividend for the year 2005-06 in a separate bank account on 03.04.2006 which is within five days from the date of declaration of such dividend.
  - (iii) has paid dividends to the Members within a period of 30 (Thirty) days from the date of declaration during the financial year ended 31st March 2006.
  - (iv) has paid dividend for the first time for the year 2005-06. There was no unpaid dividend and hence the question of transfer of dividend to unpaid dividend account does not arise. The Company has not issued fresh shares or debentures and has not accepted any deposits and hence, the question of transfer of application money due for refund, matured deposits, matured debentures and the interest accrued thereon which have remained unclaimed or unpaid for a period of seven years to Investor Education and Protection Fund does not arise.

- (v) has duly complied with the requirements of Section 217 of the Act.
14. The Board of Directors of the Company is duly constituted and the appointment to the Board has been duly made and registered.
  15. The Company has not appointed any Managing Director / Whole-time Director / Manager during the financial year under review.
  16. The Company has not appointed any sole selling agent during the financial year ended 31st March 2006.
  17. The Company has obtained the approval of the Honourable High Court of Judicature at Madras under Section 102(1) of the Companies Act, 1956 for reduction in the paid-up share capital of the Company vide Order dated 23.12.2005.
  18. The Directors have disclosed their interest in other firms/ companies to the Board of Directors pursuant to the provisions of the Act and the rules made thereunder.
  19. The Company has not issued any shares, debentures or other securities during the financial year ended 31st March 2006.
  20. The Company has not bought back any shares during the financial year and hence the question of complying with the buy back provisions does not arise.
  21. The Company has no preference share capital and has not issued debentures and hence the question of redemption of preference shares/ debentures during the financial year does not arise.
  22. There were no transactions necessitating the Company to keep in abeyance the rights to dividend, rights shares and bonus shares pending registration of transfer of shares.
  23. The Company has not invited / accepted any deposits including any unsecured loans falling within the purview of Section 58A during the financial year ended 31st March 2006.
  24. The Company has not made any borrowings during the financial year ended 31st March 2006.
  25. The Company has not made loans and investments or given guarantees or provided securities to other bodies corporate and consequently no entries have been made in the Register kept for the purpose.
  26. During the period under review, the Company has not altered the provisions of its Memorandum and its Articles of Association.
  27. There was no prosecution initiated against or show cause notices received by the Company and no fines or penalties or any other punishment was imposed on the Company during the financial year, for offences under the Act.
  28. The Company has not received any money as security from its employees during the financial year ended 31st March 2006.
  29. According to the information and explanations given to me, during the period under review, the provisions relating to contribution to Provident Fund did not apply to the company.

Chennai

Date: 19<sup>th</sup> May 2006

**MALINI SESHADRI, A.C.S.**

No. 5493 CP1323

## Annexure A to Secretarial Compliance Certificate

Registers as maintained by the Company during the financial year ended 31st March, 2006

Sl. No.	Section Number	Name of the Register
1.	-	Share Transfer Register
2.	150	Register of Members
3.	193	Minutes of the meetings of Board of Directors
4.	193	Minutes of the meetings of the Members
5.	303	Register of Directors
6.	307	Register of Directors' Shareholding
7.	372A	Register of Investments/Loans/Guarantees and Securities
8.	-	Board Meeting Attendance Register
9.	-	General Meeting Attendance Register
10.	-	Common Seal Register

Chennai

Date: 19<sup>th</sup> May 2006

**MALINI SESHADRI, A.C.S.**

No. 5493 CP1323

## Annexure B to Secretarial Compliance Certificate

Returns/Documents/forms filed with the Registrar of Companies, Regional Director,  
Central Government or other authorities during the financial year ended 31st March 2006

### REGISTRAR OF COMPANIES

Sl.No	Form No.	Relevant Section	Description
1.	-	383A	Compliance Certificate issued by Ms Malini Seshadri, Practising Company Secretary, for the financial year ended 31st March 2005.
2.	Sch VI	220	Balance Sheet for the financial year ended 31st March 2005.
3.	32	303	Appointment of Shri. A N Raju as Director.
4.	Sch V	159	Annual Return made upto 23rd June 2005 (Date of AGM).
5.	23	192	Special Resolution for reducing the paid-up share capital of the Company under Section 100(1)(c) of the Companies Act, 1956 from Rs.1,50,00,000/- to Rs.50,00,000/-
6.	21	102	Certified copy of the Order passed by the Honourable High Court of Judicature at Madras for reducing the paid-up share capital.

### REGIONAL DIRECTOR

NIL

### CENTRAL GOVERNMENT & OTHER AUTHORITIES

NIL

Chennai  
Date: 19<sup>th</sup> May 2006

**MALINI SESHADRI, A.C.S.**  
No. 5493 CP1323



## Auditors' Report

### TO THE MEMBERS OF M/S. SUNDARAM FINANCE DISTRIBUTION LIMITED

1. We have audited the attached Balance Sheet of M/s. Sundaram Finance Distribution Limited, (the company) as at 31st March 2006, the Profit and Loss Account and the Cash Flow Statement of the Company for the year ended on that date, 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 (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 2006 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2006 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 2006;
    - 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.

Chennai  
22nd May 2006

For **BRAHMAYYA & CO.,**  
Chartered Accountants  
**P.BABU**  
Partner  
Membership No.203358

## 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) 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.
  - b) In our opinion and according to the information and explanations given to us, the Company has not taken any loan secured or unsecured from companies, firms, or other parties covered in the register maintained under Section 301 of the Companies Act, 1956.
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 purchase 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, we are of the opinion that the particulars of contracts or arrangements referred to in Section 301 of the Act that need to be entered in the register maintained under that Section 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 was regularly deposited during the year 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, which are outstanding as at 31st March, 2006 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 which have not been deposited on account of any dispute.  
The Central Government has not notified the rules pertaining to the quantum and means of payment of cess payable under Section 441A of the Act and therefore, no remittance has been made.
10. The Company does not have any accumulated losses at the end of the financial year and has not incurred cash loss during the current and immediately preceding financial year.
11. The Company does not have any borrowing from financial institutions, banks 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.
  - 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 shares and 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  
22nd May 2006

For **BRAHMAYYA & CO.**,  
Chartered Accountants  
**P.BABU**  
Partner  
Membership No.203358

## Balance Sheet

as at 31st March, 2006

	Schedule	31.03.2006		31.03.2005	
		Rs.		Rs.	
<b>I SOURCES OF FUNDS:</b>					
<b>1. Shareholders' Funds</b>					
a) Capital	1	50,00,000		1,50,00,000	
b) Reserves and Surplus	2	1,55,90,649	2,05,90,649	1,12,61,489	2,62,61,489
<b>2. Loan Funds</b>					
a) Secured Loans			-		-
b) Unsecured Loans			-		-
<b>Total</b>		<b>2,05,90,649</b>		<b>2,62,61,489</b>	
<b>II APPLICATIONS OF FUNDS:</b>					
<b>1. Fixed Assets</b>					
a) Gross Block	3	8,04,670		8,04,670	
b) Less: Depreciation		7,89,562		7,79,482	
Net Block			15,108		25,188
<b>2. Investments</b>					
	4		1,80,34,032		1,78,37,640
<b>3. Deferred Tax Asset</b>					
			12,605		7,89,971
<b>4. Current Assets, Loans and Advances</b>					
a) Current Assets	5	11,59,700		22,45,102	
b) Loans and Advances	6	96,62,266		63,74,554	
	(A)	1,08,21,966		86,19,656	
<b>Less:</b>					
a) Current Liabilities	7	25,91,812		10,10,966	
b) Provisions	8	57,01,250		-	
	(B)	82,93,062		10,10,966	
Net Current Assets	(A-B)		25,28,904		76,08,690
<b>Total</b>		<b>2,05,90,649</b>		<b>2,62,61,489</b>	
Notes to the accounts	12				

As per our report of even date attached

For **Brahmayya & Co.,**  
Chartered Accountants

**S Venkatesan**  
Director

**A N Raju**  
Director

**G C Rangan**  
Director

**P Babu**  
Partner

Chennai  
22nd May, 2006

## Profit and Loss Account

for the year ended 31st March, 2006

	Schedule	2005-06 Rs.	2004-05 Rs.
<b>INCOME:</b>			
Income from Operations	9	2,20,51,276	1,24,68,869
Other Income	10	63,95,811	6,09,085
<b>Total</b>	<b>(A)</b>	<b><u>2,84,47,087</u></b>	<b><u>1,30,77,954</u></b>
<b>EXPENDITURE:</b>			
Administrative and Other Expenses	11	1,51,52,331	1,03,86,557
Depreciation		10,080	16,798
<b>Total</b>	<b>(B)</b>	<b><u>1,51,62,411</u></b>	<b><u>1,04,03,355</u></b>
<b>Profit Before Tax</b>	<b>(A)-(B)</b>	<b><u>1,32,84,676</u></b>	<b><u>26,74,599</u></b>
Provision for Taxation			
– Current		24,76,900	8,89,466
– Deferred		7,77,366	(1,01,800)
<b>Profit after tax</b>		<b><u>1,00,30,410</u></b>	<b><u>18,86,933</u></b>
Balance brought forward from previous year		1,12,61,489	93,74,556
<b>Amount available for Appropriation</b>		<b><u>2,12,91,899</u></b>	<b><u>1,12,61,489</u></b>
<b>APPROPRIATIONS</b>			
Dividend			
– Interim		50,00,000	–
– Dividend Distribution Tax		7,01,250	–
General Reserve		1,00,00,000	–
Surplus - Balance carried to Balance Sheet		55,90,649	1,12,61,489
		<b><u>2,12,91,899</u></b>	<b><u>1,12,61,489</u></b>
Notes to the accounts	12		
Earnings per Equity Share (EPS)			
Basic and Diluted earnings per share (in Rupees)		7.81	1.26
Weighted Equity shares used in computing EPS		12,83,562	15,00,000

As per our report of even date attached

For **Brahmayya & Co.,**  
Chartered Accountants

**S Venkatesan**  
Director

**A N Raju**  
Director

**G C Rangan**  
Director

**P Babu**  
Partner

Chennai  
22nd May, 2006

## SCHEDULES

	31.03.2006	31.03.2005
	Rs.	Rs.
<b>1. Capital</b>		
<b>Authorised</b>		
30,00,000 Equity Shares of Rs.10/- each	3,00,00,000	3,00,00,000
Issued, Subscribed and fully paid-up:		
5,00,000 Equity Shares of Rs.10/- each (Share capital reduced from Rs. 1,50,00,000/- (15,00,000 shares of Rs.10/- each) to Rs.50,00,000 (5,00,000 shares of Rs.10/- each) as confirmed by an Order dated 23/12/2005 of the Hon'ble High Court of Madras.) (The entire shares are held by Sundaram Finance Ltd. - the holding company and its nominees)	50,00,000	1,50,00,000
	50,00,000	1,50,00,000
<b>2. Reserves And Surplus</b>		
<b>General Reserve</b>		
Transfer from Profit and Loss account	1,00,00,000	
Surplus - Balance in Profit and Loss Account	55,90,649	1,12,61,489
	1,55,90,649	1,12,61,489

### 3. Fixed Assets

(in Rs.)

DESCRIPTION	GROSS BLOCK AT COST			DEPRECIATION				NET BLOCK		
	As at 1.4.2005	Additions	Deletions	As at 31.3.06	Upto 1.4.2005	Depreciation for the year	Deductions	Upto 31.3.06	As at 31.3.06	As at 31.3.2005
Office Equipment	8,04,670	—	—	<b>8,04,670</b>	7,79,482	10,080	—	<b>7,89,562</b>	<b>15,108</b>	25,188
Total	8,04,670	—	—	<b>8,04,670</b>	7,79,482	10,080	—	<b>7,89,562</b>	15,108	25,188

**SCHEDULES**

	Face Value (FV)	31.03.2006	(in Rs.) 31.03.2005
<b>4. Investments</b>			
Long Term - At cost			
<b>I In Trust Securities</b>			
Unquoted			
Birla Sun Life-Fixed Term Plan-Annual-Growth (9,00,000 units of Rs.10/- each redeemed during the year)		–	90,00,000
Birla Sun Life-Fixed Term Plan-Growth-5,00,000 units (5,00,000 units of Rs.10/- each)	50,00,000	50,00,000	50,00,000
<b>II In Equity shares</b>			
Unquoted			
Credit Analysis and Research Ltd. (5,00,000 Equity Shares of Rs.10/- each acquired at par and 1,25,000 Equity shares disinvested under a buy back offer)	37,50,000	37,50,000	–
UMW Industries Ltd. (78,000 Equity shares of Rs.10 each)		1,560	1,560
<b>III In Bonds</b>			
Unquoted			
5.65 % National Highways Authority of India Bonds	6,80,000	6,80,000	–
<b>Current Investments</b>			
<b>In Trust Securities</b>			
Sundaram Money Fund-Dividend Reinvest - Monthly (8,49,131 units of Rs. 10/- each) (Opening Balance-155583 units, 2966445 units purchased 22,72,897 units redeemed during the year)	84,91,310	86,02,472	15,69,857
Sundaram Money Fund-Inst. Dividend Reinvest -Daily (Opening Balance-75,064 units, 1082 units purchased 76,146 units redeemed during the year)		–	7,57,795
Sundaram Floater Regular (Opening Balance-50,843 units redeemed during the year)		–	5,08,427
UTI-Fixed Maturity Plan-Growth (Opening balance-1,00,000 units redeemed during the year)		–	10,00,000
		<b>1,80,34,032</b>	<b>1,78,37,640</b>

SUMMARY OF INVESTMENTS	Rs.	
	31.03.2006	31.03.2005
<b>I In Trust Securities</b>		
Unquoted - Long Term	50,00,000	1,40,00,000
Unquoted-Current	86,02,472	38,36,080
<b>II In Equity Shares</b>		
Unquoted	37,51,560	1,560
<b>III In Bonds</b>		
Unquoted	6,80,000	–
<b>Grand Total</b>	<b>1,80,34,032</b>	<b>1,78,37,640</b>

**Aggregate of unquoted Investments- Long Term**

Trust Securities

	Cost 31.03.2006	MV
(A) Trust Securities	<u>50,00,000</u>	<u>53,66,050</u>
Equity Shares	37,51,560	
Bonds	6,80,000	
(B) <b>Aggregate of unquoted Investments-Long Term</b>	<u><b>44,31,560</b></u>	
(C) <b>Aggregate of unquoted Investments-Current</b>		
Trust Securities	86,02,472	
<b>GRAND TOTAL [A + B+C]</b>	<u><b>1,80,34,032</b></u>	

**Aggregate of unquoted Investments-Long Term**

Equity Shares

37,51,560

Bonds

6,80,000

(B) **44,31,560**

**Aggregate of unquoted Investments-Current**

Trust Securities

(C) 86,02,472

**GRAND TOTAL [A + B+C]**

**1,80,34,032**

**SCHEDULES**

	31.03.2006	31.03.2005
	Rs.	Rs.
<b>5. Current Assets</b>		
Cash and Bank Balances:		
With Scheduled Banks in		
Current accounts	1,59,700	12,45,102
Deposit account	10,00,000	10,00,000
	<b>11,59,700</b>	<b>22,45,102</b>
<b>6. Loans and Advances</b>		
Loans-Secured	-	11,30,000
Advance payment of Income Tax and Tax deducted at Source (Net of Provision)	22,40,072	19,45,615
Income Receivable	74,22,194	32,98,939
	<b>96,62,266</b>	<b>63,74,554</b>
<b>7. Current Liabilities</b>		
Sundry Creditors		
For Expenses	24,29,493	8,87,018
For Others	1,62,319	1,23,948
	<b>25,91,812</b>	<b>10,10,966</b>
<b>8. Provisions</b>		
Interim dividend	50,00,000	-
Dividend Distribution Tax and Surcharge	7,01,250	-
	<b>57,01,250</b>	-
<b>9. Income From Operations</b>		
Insurance Commission (tax deducted at source Rs.21,61,555/-)	1,36,09,672	1,19,11,872
Brokerage, Service Charge, Incentives etc. (tax deducted at source Rs.19,248/-)	80,18,870	5,56,997
Others(Sourcing Fee from LGFS) (tax deducted at source Rs.26,123/-)	4,22,734	-
	<b>2,20,51,276</b>	<b>1,24,68,869</b>
<b>10. Other Income</b>		
Interest (tax deducted at source Rs.85,424/-)	3,99,212	1,25,245
Profit on Sale of Investments	57,98,036	4,59,195
Dividend	1,93,618	24,645
Miscellaneous Income	4,945	-
	<b>63,95,811</b>	<b>6,09,085</b>
<b>11. Administrative and Other expenses</b>		
Sourcing Fee	1,45,37,206	99,24,698
Rates and Taxes	3,620	3,620
Travelling and conveyance	3,87,766	2,79,870
Miscellaneous Expenses	1,84,671	85,908
Loss on Sale of Investments	39,068	92,461
	<b>1,51,52,331</b>	<b>1,03,86,557</b>



## SCHEDULES

### 12 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 provision 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 in respect of insurance agency commission and Broking income is accounted on accrual basis.

#### 1.3 Fixed Assets and Depreciation:

Fixed Assets are stated at historical cost less accumulated depreciation. Depreciation on assets is provided on Written Down Value Method at rates prescribed in Schedule XIV to the Companies Act, 1956.

#### 1.4 Valuation of Investments:

Long Term investments are stated at cost. Provision for decline in value, other than temporary, has been considered wherever necessary.

Current Investments are valued at lower of Cost and Market Value/ Net Asset Value.

#### 1.5 Taxation:

Current tax is provided on the taxable income for the year. Deferred tax liabilities on timing differences are fully provided for. Deferred tax assets are recognized on consideration of prudence.

#### 1.6 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 recognised when the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is greater of the assets' net selling price and value in use.

#### 1.7 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.

#### 2. BALANCE SHEET :

2.1 The Company has reduced its paid-up share capital from Rs. 1,50,00,000 (15,00,000 equity shares of Rs.10/- each) to Rs. 50,00,000 (5,00,000 equity shares of Rs.10/- each) as confirmed by an Order dated 23/12/2005 of the Hon'ble High Court of Madras.

#### 2.2 Deferred Tax Asset

In accordance with Accounting Standard – 22 'Accounting for taxes on Income' issued by ICAI, the Company has recognised the Deferred Tax Asset arising out of timing difference. The details of Deferred Tax Asset as on 31st March, 2006 are as follows:

(in Rs.)

Particulars	Balance as on 31.03.2006	Balance as on 31.03.2005
Unabsorbed Loss	–	7,78,185
Depreciation	12,605	11,786
<b>Total</b>	<b>12,605</b>	<b>7,89,971</b>

2.3 Advance payment of Income Tax and Tax deducted at source is net of Provision for Income Tax of Rs. 74,83,346/- (31.03.2005 - Rs.62,18,936).

### 3. PROFIT AND LOSS ACCOUNT

#### 3.1 Profit / Loss on Sale of Investments comprises of:

(In Rs.)

Particulars	2005-06		2004-05	
	Profit	Loss	Profit	Loss
Long term Investments	57,62,140	–	2,20,869	92,461
Current Investments	35,896	39,068	2,38,326	–
<b>Total</b>	<b>57,98,036</b>	<b>39,068</b>	<b>4,59,195</b>	<b>92,461</b>

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

(in Rs.)

	2005-06	2004-05
Statutory Audit	25,000	20,000
Tax Audit	8,000	8,000
Certification	2,500	2,500
Service Tax	4,345	3,111

#### 3.3 The Company does not have any employee on its rolls.

### 4. GENERAL

- 4.1 The Company is engaged primarily in the business of Agency and Retail Distribution. There are no separate reportable segments as per Accounting Standard – 17 ‘Segment Reporting’.
- 4.2 Related Party disclosures: In accordance with the Accounting Standard 18 on ‘Related Party disclosures’, issued by the ICAI, the details of related parties and the transactions with related parties are given below:

**Related Parties:**

**Holding Company:**

Sundaram Finance Ltd.

**Fellow Subsidiaries:**

Sundaram Home Finance Ltd.

Royal Sundaram Alliance Insurance Co. Ltd.

Sundaram BNP Paribas Asset Management Company Ltd.

Sundaram BNP Paribas Trustee Company Ltd.

LGF Services Ltd.

Sundaram Infotech Solutions Ltd.

Sundaram Business Services Ltd.

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

(in Rs.)

Nature of Transactions	Holding Company	Fellow Subsidiaries	Total	Previous Year 2004-05
<b>INCOME</b>				
LGF Services Ltd.-Sourcing fee	–	4,20,547	4,20,547	–
<b>EXPENSES</b>				
Sourcing Fee	10,42,592	–	10,42,592	14,18,336
<b>ASSETS</b>				
Purchase of Equity Shares-CARE Ltd.	50,00,000	–	50,00,000	–
<b>LIABILITIES</b>				
Reduction of share capital	1,00,00,000	–	1,00,00,000	–
Dividend payable	50,00,000	–	50,00,000	–

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

4.3 Earnings Per Share (Basic and diluted)	<u>2005-06</u>	<u>2004-05</u>
A. Profit for the year after taxation (in Rs.)	1,00,30,410	18,86,933
B. Weighted average no. of equity shares	12,83,562	15,00,000
C. Basic and diluted earnings per share (A/B) (in Rs.)	7.81	1.26

4.4 The Company does not owe any amount to Small Scale Industries.

4.5 Previous year's figures have been regrouped / reclassified wherever necessary to conform to current year's classification.

4.6 Figures have been rounded off to the nearest rupee.

Signatures to Schedules 1 to 13

As per our report of even date attached

For **Brahmayya & Co.,**  
Chartered Accountants

**S Venkatesan**  
Director

**A N Raju**  
Director

**G C Rangan**  
Director

**P Babu**  
Partner

Chennai  
22nd May, 2006

## Balance Sheet Abstract and Company's General Business Profile

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

### I Registration Details

Registration No. 

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 State Code 

1	8
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 Balance Sheet Date 

3	1	0	3	2	0	0	6
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                     Date                    Month                    Year

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

Public Issue	Rights Issue																						
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				N	I	L																	
				N	I	L																	
Bonus Issue	Private Placement																						
<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td> </td><td> </td><td> </td><td>N</td><td>I</td><td>L</td><td> </td><td> </td><td> </td><td> </td></tr></table>					N	I	L					<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td> </td><td> </td><td> </td><td>N</td><td>I</td><td>L</td><td> </td><td> </td><td> </td><td> </td></tr></table>					N	I	L				
				N	I	L																	
				N	I	L																	

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

	Total Liabilities		Total Assets																															
Sources of Funds	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td> </td><td> </td><td> </td><td>2</td><td>8</td><td>8</td><td>8</td><td>4</td></tr></table>					2	8	8	8	4	Reserves & Surplus	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td> </td><td> </td><td> </td><td>2</td><td>8</td><td>8</td><td>8</td><td>4</td></tr></table>					2	8	8	8	4													
				2	8	8	8	4																										
				2	8	8	8	4																										
	Paidup Capital		Unsecured Loans																															
	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td> </td><td> </td><td> </td><td>5</td><td>0</td><td>0</td><td>0</td></tr></table>					5	0	0	0		<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td> </td><td> </td><td> </td><td>1</td><td>5</td><td>5</td><td>9</td><td>1</td></tr></table>					1	5	5	9	1														
				5	0	0	0																											
				1	5	5	9	1																										
Application of Funds	Secured Loans	Investments	Misc. Expenditure																															
	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td> </td><td> </td><td> </td><td>N</td><td>I</td><td>L</td><td> </td><td> </td><td> </td><td> </td></tr></table>					N	I	L					<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td> </td><td> </td><td> </td><td>1</td><td>8</td><td>0</td><td>3</td><td>4</td></tr></table>					1	8	0	3	4	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td> </td><td> </td><td> </td><td>N</td><td>I</td><td>L</td><td> </td><td> </td><td> </td><td> </td></tr></table>					N	I	L				
				N	I	L																												
				1	8	0	3	4																										
				N	I	L																												
	Net Fixed Assets																																	
	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td>1</td><td>5</td></tr></table>								1	5																								
							1	5																										
	Net Current Assets																																	
	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td> </td><td> </td><td> </td><td>2</td><td>5</td><td>2</td><td>9</td></tr></table>					2	5	2	9																									
				2	5	2	9																											

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

Turnover	Total Expenditure																										
<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td> </td><td> </td><td> </td><td>2</td><td>8</td><td>4</td><td>4</td><td>7</td></tr></table>					2	8	4	4	7	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td> </td><td> </td><td> </td><td>1</td><td>5</td><td>1</td><td>6</td><td>2</td></tr></table>					1	5	1	6	2								
				2	8	4	4	7																			
				1	5	1	6	2																			
+ - Profit / (Loss) Before Tax	+ - Profit / (Loss) After Tax																										
<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td> </td><td> </td><td> </td><td>✓</td><td> </td><td> </td><td> </td><td>1</td><td>3</td><td>2</td><td>8</td><td>5</td></tr></table>					✓				1	3	2	8	5	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td> </td><td> </td><td> </td><td>✓</td><td> </td><td> </td><td> </td><td>1</td><td>0</td><td>0</td><td>3</td><td>0</td></tr></table>					✓				1	0	0	3	0
				✓				1	3	2	8	5															
				✓				1	0	0	3	0															
(Please tick appropriate box + for profit, - for loss)																											

Earnings per Share Rs. Ps.  

				7	.	8	1
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Dividend Rate %  

								1	0	0
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### V Generic Names of Three Principal Products / Services of Company (As per monetary terms)

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

N	A
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I	N	S	U	R	A	N	C	E	A	G	E	N	C	Y			
R	E	T	A	I	L												
D	I	S	T	R	I	B	U	T	I	O	N						

## CASH FLOW STATEMENT

	2005-06		2004-05	
(in Rs)				
<b>A) CASH FLOW FROM OPERATING ACTIVITIES:</b>				
Net Profit	1,00,30,410		18,86,933	
Provision for Taxation (Including deferred Tax)	<u>32,54,266</u>		<u>7,87,666</u>	
	1,32,84,676		26,74,599	
Add: Financial Expenses	–	1,32,84,676	–	26,74,599
Depreciation		10,080		16,798
(Profit) loss on Investments		(57,58,968)		(3,66,734)
Interest / Dividend Received		<u>(5,92,830)</u>		<u>(1,49,890)</u>
<b>OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES</b>		<u>69,42,958</u>		<u>21,74,773</u>
(Increase) Decrease in Loans and Advances	(41,23,254)		(12,01,845)	
Increase (Decrease) in Current Liabilities	15,80,846	<u>(25,42,408)</u>	(3,03,734)	<u>(15,05,579)</u>
Cash generated from Operations		44,00,550		6,69,194
Direct Taxes Paid (including Tax deducted at source)	<u>27,71,356</u>	<u>(27,71,356)</u>	<u>(25,28,152)</u>	<u>(25,28,152)</u>
NET CASH FROM OPERATING ACTIVITIES (A)		<b>16,29,194</b>		<b>(18,58,958)</b>
<b>B) CASH FLOW FROM INVESTING ACTIVITIES</b>				
Loans-Secured		11,30,000		(11,30,000)
Purchase of Investments		(3,57,05,116)		(7,54,87,906)
Sale of Investments		4,12,67,690		7,92,93,834
Interest Received		3,99,212		1,25,194
Dividend Received		<u>1,93,618</u>		<u>24,696</u>
NET CASH FROM INVESTING ACTIVITIES (B)		<u>72,85,404</u>		<u>28,25,818</u>
<b>C) CASH FLOW FROM FINANCING ACTIVITIES</b>				
Reduction of Share capital		<u>(1,00,00,000)</u>		–
NET CASH FROM FINANCING ACTIVITIES (C)		<u>(1,00,00,000)</u>		–
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A) + (B) + (C)		(10,85,402)		9,66,860
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		<u>12,45,102</u>		<u>2,78,242</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		1,59,700		12,45,102
Current Account with Banks		<u>1,59,700</u>		<u>12,45,102</u>

As per our report of even date attached

For **Brahmayya & Co.**,  
Chartered Accountants

**S Venkatesan**  
Director

**A N Raju**  
Director

**G C Rangan**  
Director

**P Babu**  
Partner

Chennai  
22nd May, 2006