

***SUNDARAM INFOTECH SOLUTIONS LIMITED***

*1<sup>st</sup> Annual Report 2005-06*



## **BOARD OF DIRECTORS**

T. T. Srinivasaraghavan  
Srinivas Acharya  
S. Venkatesan  
K. Swaminathan

## **BANKERS**

State Bank of Travancore

## **AUDITORS**

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

## **REGISTERED OFFICE**

21, Patullos Road  
Chennai 600 002

**SUNDARAM INFOTECH SOLUTIONS LIMITED**

A wholly-owned subsidiary of



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## Directors' Report

Your Directors have pleasure in presenting the First Annual Report and Audited Accounts of the Company for the period ending 31st March, 2006.

The summarised financial results of the Company, are given hereunder: (Rs. in lakhs)

Particulars	Period ended March 31, 2006
Total Income	326.91
Total Expenditure	396.49
Profit before Taxation	(69.58)
Provision for Taxation	1.19
Profit after Tax	(70.81)
Transfer to General Reserve	—
Surplus carried to Balance Sheet	—

### INCORPORATION

Your Company was incorporated on 19th July 2005 with a paid-up capital of Rs.25.00 lakhs divided into 2,50,000 equity shares of Rs.10/- each and on allotment of share, your Company became a subsidiary of Sundaram Finance Limited.

### REVIEW OF OPERATIONS

The Company has achieved some early successes in both off-shore and on-site assignments and has earned a gross income of Rs. 326.91 lacs for the period ended 31st March 2006. Some of the personnel dealing with Microsoft Business Solutions-Axapta & Navision, Java, Microsoft.Net Data Warehousing were transferred from SIS division of Sundaram Finance Limited to take care of these software solutions.

With the support of GSR, our marketing partner in USA, your Company has successfully completed an assignment by deputing our consultant for a period of two months. Based on this work, your Company has bagged two more contracts and hopes to clinch more such assignments.

We have been awarded with Gold Certified partner status of Microsoft. We are one of the few companies to achieve Gold Partner status for MBS Axapta in India.

### DIRECTORS

The First Directors of the Company, namely, Sri T. T. Srinivasaraghavan, Sri Srinivas Acharya and Sri K. Swaminathan, retire at the ensuing Annual General Meeting and are eligible for appointment. Notices under Section 257 of the Companies Act, 1956, proposing the appointment of the said Directors have been received from a member.

Sri S. Venkatesan, appointed as Additional Director at the Board Meeting held on 27th January 2006, retire at the ensuing Annual General Meeting and is eligible for appointment. Notice under Section 257 of the Companies Act, 1956, proposing the appointment of Sri S. Venkatesan has been received from a member.

### DIRECTORS' RESPONSIBILITY STATEMENT

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

- that in the preparation of the annual accounts, the applicable accounting standards had been followed;
- 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;
- 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
- 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. During 2005-06, expenditure in foreign currencies amounted to Rs.171.84 lakhs and foreign Currency earnings amounted to Rs.125.59 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, Statutory Auditors of your Company, hold office until the conclusion of the ensuing Annual General Meeting and are recommended for re-appointment. The Company has received a certificate from them to the effect that their appointment, if made, would be within the limits prescribed under Section 224(1)(b) of the Companies Act, 1956.

### 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 : 19th May 2006

**T. T. Srinivasaraghavan**  
**Srinivas Acharya**  
**S. Venkatesan**  
**K. Swaminathan**  
Directors

## Secretarial Compliance Certificate

Name of the Company	:	SUNDARAM INFOTECH SOLUTIONS LIMITED
Registration No.	:	U72200TN2005PLC056969
Authorized Capital	:	Rs.1,00,00,000/-
Paid-up Capital	:	Rs.1,00,00,000/-

To,  
The Members  
Sundaram Infotech Solutions Limited  
21, Patullos Road,  
Chennai – 600 002.

I have examined the registers, records, books and papers of **SUNDARAM INFOTECH SOLUTIONS LIMITED** (the Company), which was incorporated on 19th July 2005, 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 period ended **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 period:

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 Five (5) times on 10th August 2005, 29th November 2005, 11th January 2006, 27th January 2006 and 24th 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 period ended 31st March 2006.
6. Since the Company was incorporated on 19th July 2005, no annual general meeting was held during the period ended 31st March 2006.
7. One Extra-Ordinary General Meeting was held on 27th January 2006 during the period ended 31st March 2006 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 has made necessary 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 period ended 31st March 2006.
13. The Company:
  - (i) has delivered all the certificates on allotment of securities and on lodgement thereof for transfer/transmission or any other purpose in accordance with the provisions of the Act.
  - (ii) has not deposited any amount in a separate bank account as no dividend was declared during the period ended 31st March 2006.
  - (iii) was not required to post warrants to any member of the Company as no dividend was declared during the period ended 31st March 2006.
  - (iv) has issued shares for the first time during the period ended 31st March 2006 and has not declared any dividend, issued any debentures and has not accepted any deposits. Hence, the question of transfer of dividend to unpaid dividend account, 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 period under review.
16. The Company has not appointed any sole selling agent during the period ended 31st March 2006.
17. The Company was incorporated on 19th July 2005 after following the procedures laid down under the Companies Act, 1956. Thereafter, the Company was not required to obtain any approvals of the Central Government, Company Law Board, Regional Director and / or such authorities prescribed under the various provisions of the Act during the period ended 31st March 2006.

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 issued 10,00,000 equity shares during the period ended 31st March 2006.
20. The Company has not bought back any shares during the period under review 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 period under review 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 period ended 31st March 2006.
24. The amount borrowed by the company from directors, members, public, financial institutions, banks and others during the period ended 31st March 2006 is/are within the borrowing limits of the company and that necessary resolutions as per Section 293(1)(d) of the Act have been passed in duly convened extra-ordinary general meeting.
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 period ended 31st March 2006, for offences under the Act.
28. The Company has not received any money as security from its employees during the period ended 31st March 2006.
29. The Company has deposited both employee's and employer's contribution to Provident Fund with prescribed authorities pursuant to Section 418 of the Act.

Chennai  
Date: 18<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 period 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: 18<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 period ended 31st March 2006

### REGISTRAR OF COMPANIES

Sl.No	Form No.	Relevant Section	Description
1.	1	–	Declaration of compliance with the requirements of the Companies Act, 1956 on application for registration of a Company.
2.	18	146	Notice of situation of Registered Office of the Company.
3.	29	264	Consent to act as Director given by Sri T. T. Srinivasaraghavan, Sri Srinivas Acharya and Sri K. Swaminathan.
4.	32	303	Appointment of Sri T. T. Srinivasaraghavan, Sri Srinivas Acharya and Sri K. Swaminathan as First Directors of the Company.
5.	–	70	Statement in lieu of prospectus
6.	20	149(2)(c)	Declaration of compliance with the provisions of Section 149(2)(b) of the Companies Act, 1956
7.	2	75	Return of Allotment.
8.	III	187C	Filing of Form III together with Form I and Form II received from the nominees and beneficiary.
9.	22	165	Certified copy of the Statutory Report.
10.	29	264	Consent to act as Director given by Sri S. Venkatesan.
11.	32	303	Appointment of Sri S. Venkatesan as Additional Director with effect from 27th January 2006.
12.	23	192	Ordinary Resolution under Section 293(1)(d) of the Companies Act, 1956, authorising the Board of Directors to borrow money upto Rs.5.00 cr.

### REGIONAL DIRECTOR

NIL

### CENTRAL GOVERNMENT & OTHER AUTHORITIES

NIL

Chennai

Date: 18<sup>th</sup> May 2006

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

No. 5493 CP1323

## Auditors' Report

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

1. We have audited the attached Balance Sheet of M/s.Sundaram Infotech Solutions Limited, (the Company) as at 31st March 2006, the Profit and Loss Account and the Cash Flow Statement of the company for the period pertaining from the date of incorporation i.e 19th July 2005 to 31st March 2006, 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 loss 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.

Chennai  
19th May 2006

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

**L. RAVI SANKAR**

Partner  
Membership No.25929

## 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 of Rs1,50,00,000 from a company covered in the register maintained under 301 of the Act.  
(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 4 (iii) (b) and (g) of the order are not applicable to the company for the period.
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 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, 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 has accumulated losses at the end of the financial year and has incurred cash loss during the current period.
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 period.
  - d) raised funds during the period.
  - e) issued any debentures.
  - f) raised monies by public issue during the period.
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.

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

**L. RAVI SANKAR**

Partner

Membership No.25929

Chennai

19th May 2006

## Balance Sheet

as at 31st March, 2006

	Schedule	31.03.2006 Rs.
<b>I SOURCES OF FUNDS</b>		
<b>1 Shareholders' Funds</b>		
a) Share Capital	1	1,00,00,000
b) Reserves and Surplus		—
<b>2 Loan Funds</b>		
a) Secured Loans		—
b) Unsecured Loans	2	1,50,00,000
<b>3 Deferred Tax Liability</b>		
<b>Total</b>		<u>10,825</u>
		<b><u>2,50,10,825</u></b>
<b>II APPLICATIONS OF FUNDS</b>		
<b>1 Fixed Assets</b>		
a) Gross Block		1,20,600
b) Less: Depreciation		4,020
c) Net Book Value		1,16,580
<b>2 Investments</b>		
		—
<b>3 Current Assets, Loans and Advances</b>		
a) Current Assets	4	8,99,588
b) Loans and Advances	5	2,49,29,299
	(A)	<u>2,58,28,887</u>
Less: Current Liabilities and Provisions		
a) Current Liabilities	6	81,36,369
b) Provisions	7	10,000
	(B)	<u>81,46,369</u>
Net Current Assets	(A-B)	<b>1,76,82,518</b>
<b>4 Miscellaneous Expenditure</b>		
a) Preliminary expenses (to the extent not written off or adjusted)	8	1,30,581
b) Debit balance in Profit and Loss Account		70,81,146
<b>Total</b>		<u>72,11,727</u>
Notes to the Accounts	15	<b><u>2,50,10,825</u></b>

As per our report of even date Attached

For **Brahmayya & Co.**,

Chartered Accountants

**L. Ravi Sankar**

Partner

Chennai,

19th May 2006

**T.T. Srinivasaraghavan**

**Srinivas Acharya**

**K. Swaminathan**

**S. Venkatesan**

Directors

## Profit and Loss Account

for the period 19<sup>th</sup> July 2005 (Date of Incorporation) to 31<sup>st</sup> March 2006

	Schedule	31.03.2006
		Rs.
<b><u>INCOME</u></b>		
Income from Operations	9	3,25,44,686
Other Income	10	1,45,828
<b>Total</b>	<b>(A)</b>	<b><u>3,26,90,514</u></b>
<b><u>EXPENDITURE</u></b>		
Software license	11	80,45,292
Marketing and Selling Expenses		78,38,424
Financial Expenses	12	89,585
Establishment Expenses	13	1,46,06,758
Administrative and Other Expenses	14	90,36,111
Preliminary expenses written off		32,645
Depreciation		4,020
<b>Total</b>	<b>(B)</b>	<b><u>3,96,52,835</u></b>
<b>Loss before Tax</b>	<b>(A-B)</b>	<b><u>(69,62,321)</u></b>
Taxation		
Current tax		-
Deferred tax		10,825
Fringe Benefit Tax		1,08,000
<b>Loss for the period carried to Balance Sheet</b>		<b><u>(70,81,146)</u></b>
Notes to the Accounts	15	
Earnings per Equity Share (Refer Note 4.3 Schedule 15)		
Number of Shares considered (Face Value Rs. 10/- per share)		10,00,000
Basic and Diluted earnings per share (in Rupees)		(7.08)

As per our report of even date Attached

For **Brahmayya & Co.,**

Chartered Accountants

**L. Ravi Sankar**

Partner

Chennai,

19th May 2006

**T.T. Srinivasaraghavan**

**Srinivas Acharya**

**K. Swaminathan**

**S. Venkatesan**

Directors

## SCHEDULES

31.03.2006	
Rs.	
<b>1 Share Capital</b>	
<b>Authorised</b>	
10,00,000 Equity Shares of Rs. 10/- each	<b><u>1,00,00,000</u></b>
Issued,Subscribed and fully paid-up	
10,00,000 Equity Shares of Rs. 10/- each	1,00,00,000
(The entire shares are held by the holding company - Sundaram Finance Limited and its nominees)	
	<b><u>1,00,00,000</u></b>
<b>2 Unsecured Loan</b>	
From the holding company - Sundaram Finance Ltd.	<u>1,50,00,000</u>
	<b><u>1,50,00,000</u></b>

### 3. Fixed Assets

(in Rs.)

DESCRIPTION	GROSS BLOCK AT COST			DEPRECIATION			NET BLOCK	
	Addition during the period	Deduction during the period	As at 31.3.06	Addition during the period	Deduction during the period	As at 31.3.06	Net Book Value	As at 31.3.06
Computers	1,20,600	-	<b>1,20,600</b>	4,020	-	<b>4,020</b>	1,16,580	<b>1,16,580</b>
Total	1,20,600	-	<b>1,20,600</b>	4,020	-	<b>4,020</b>	1,16,580	<b>1,16,580</b>

## SCHEDULES

	31.03.2006	
	Rs.	
<b>4 Current Assets</b>		
Cash and bank balances		
With Scheduled banks in		
Current Account	8,95,588	
Cash on hand	4,000	8,99,588
		<u><b>8,99,588</b></u>
<b>5 Loans and Advances</b>		
Advances and deposits recoverable in cash		
or in kind or for value to be received		2,18,886
Income Receivable		2,44,25,319
Tax Deducted At Source		2,85,094
		<u><b>2,49,29,299</b></u>
<b>6 Current Liabilities</b>		
Sundry Creditors		
- For expenses		78,959
- For other finance		80,57,410
		<u><b>81,36,369</b></u>
<b>7 Provisions</b>		
Provision for Fringe Benefit Tax (Net of advance tax)		10,000
		<u><b>10,000</b></u>
<b>8 Miscellaneous Expenditure</b>		
Preliminary expenses incurred		1,63,226
Less: Written off during the period		32,645
		<u><b>1,30,581</b></u>

## SCHEDULES

	31.03.2006
	Rs.
<b>9 Income from Operations</b>	
Services	1,88,82,436
Sale of software license	1,36,62,250
	<b><u>3,25,44,686</u></b>
<b>10 Other Income</b>	
Interest receipts (Tax Deducted at Source - Rs.30,392/-)	1,35,434
Dividend Income	10,394
	<b><u>1,45,828</u></b>
<b>11 Software License</b>	
Purchase of Software License	80,45,292
	<b><u>80,45,292</u></b>
<b>12 Financial Expenses</b>	
Interest	63,699
Other Financial Expenses	25,886
	<b><u>89,585</u></b>
<b>13 Employee Expenses</b>	
Salaries and other allowances	1,36,97,025
Company's contribution to Provident Fund and Superannuation	5,01,181
Staff welfare expenses	1,99,617
Gratuity	2,08,935
	<b><u>1,46,06,758</u></b>
<b>14 Administrative and other expenses</b>	
Rent	37,09,200
Communication expenses	2,31,562
Electricity expenses	8,82,131
Travelling and conveyance	30,46,265
Insurance	42,839
Repairs	17,269
Professional fees	4,00,851
Miscellaneous expenses	7,05,994
	<b><u>90,36,111</u></b>

## SCHEDULE 12

### 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 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.

#### 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 2006.

#### 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 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 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.

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

#### 2. BALANCE SHEET:

2.1 Provision for Fringe Benefit tax is net of advance tax of Rs.98,000/-.

2.2 In accordance with the Accounting Standard - 22 'Accounting for taxes on Income' issued by ICAI, the details of Deferred Tax liabilities arising on account of Timing difference is as follows:

Particulars	Balance as on 31.03.2006
Deferred Tax Liability – Depreciation	Rs.10,825/-

### 3. PROFIT AND LOSS ACCOUNT:

#### 3.1 Income from Trading:

The details relating to trading items are as under:

(in Rs.)

	2005-06
Sales	1,36,62,250
Purchases	80,45,292

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

(in Rs.)

	2005-06
Statutory Audit	5,000
Tax Audit	3,000
Service Tax	979

### 4. GENERAL:

- 4.1 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.

#### **Holding Company:**

Sundaram Finance Limited

#### **Fellow Subsidiaries:**

Sundaram Home Finance Ltd.

Royal Sundaram Alliance Insurance Company Ltd.

Sundaram BNP Paribas Trustee Company Ltd.

Sundaram Finance Distribution Ltd.

Sundaram Business Services Ltd.

Sundaram BNP Paribas Asset Management Company Ltd.

LGF Services Ltd.

#### **Associate:**

Sundaram BNP Paribas 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	Fellow Subsidiaries	Associate	Total
<b>INCOME:</b>				
Income from Operations		4,30,000		4,30,000
<b>EXPENSES:</b>				
Insurance		22,727		22,727
Rent	37,09,200			37,09,200
Payroll Processing	27,054			27,054
Interest	63,699			63,699
<b>ASSETS:</b>				
Investment in Trust Securities			40,00,000	40,00,000
Disinvestments in Trust Securities			40,10,394	40,10,394
Income Receivables		2,80,000		2,80,000
<b>LIABILITIES:</b>				
Equity contribution	1,00,00,000			1,00,00,000
Loan	1,50,00,000			1,50,00,000

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

4.2 The company does not owe any amount to a Small Scale Industrial Undertaking.

4.3 Earnings per share (Basic and Diluted):

A. Loss for the year after taxation (Rs.)	(70,81,146)
B. Total number of equity shares of Rs. 10/- each outstanding at the end of the period (in numbers)	10,00,000
C. Basic earnings per share (Rs.) (A/B)	(7.08)

4.4 Expenditure in foreign currency (on accrual basis):

	2005-06
Professional and consultancy fee (Rs.)	3,73,797
Other matters – Marketing, travelling etc. (Rs.)	1,68,10,611

4.5 Earnings in Foreign Currency (on accrual basis):

Sale of Software License and Services (Rs.)	1,25,58,833
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4.6 The Company was incorporated on 19th July 2005. The financial statements pertain to the period from the date of incorporation to 31st March 2006. Therefore, there are no comparative figures for the previous period.

4.7 Figures have been rounded off to nearest rupee.

Signatures to Schedules 1 to 15

As per our report of even date Attached

For **Brahmayya & Co.**,

Chartered Accountants

**L. Ravi Sankar**

Partner

Chennai,

19th May 2006

**T.T. Srinivasaraghavan**

**Srinivas Acharya**

**K. Swaminathan**

**S. Venkatesan**

Directors



## CASH FLOW STATEMENT

For Year Ended 31/03/2006

	2005-06	
	Rs.	
<b>A) CASH FLOW FROM OPERATING ACTIVITIES:</b>		
Net Loss	(70,81,146)	
Add: Preliminary expenses written off	32,645	
Provision for Taxation	<u>1,18,825</u>	
	(69,29,676)	
Add: Financial Expenses	<u>89,585</u>	(68,40,091)
Depreciation		4,020
Interest / Dividend Received		<u>(1,45,827)</u>
<b>OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES</b>		<b><u>(69,81,898)</u></b>
(Increase) Decrease in Loans and Advances	(2,49,29,300)	
Increase (Decrease) in Current Liabilities	<u>81,36,369</u>	(1,67,92,931)
Cash generated from Operations		(2,37,74,829)
Financial Expenses		(89,585)
Direct Taxes Paid		(98,000)
Preliminary expenses paid		<u>(1,63,226)</u>
<b>NET CASH FROM OPERATING ACTIVITIES (A)</b>		<b><u>(2,41,25,640)</u></b>
<b>B) CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of Fixed Assets		(1,20,600)
Purchase of Investments		(1,40,01,000)
Sale of Investments		1,40,01,000
Interest / Dividend Received		<u>1,45,828</u>
<b>NET CASH FROM INVESTING ACTIVITIES (B)</b>		<b><u>25,228</u></b>
<b>C) CASH FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of Equity Shares		1,00,00,000
Increase (Decrease) in long term borrowings		<u>1,50,00,000</u>
<b>NET CASH FROM FINANCING ACTIVITIES (C)</b>		<b><u>2,50,00,000</u></b>
NET INCREASE IN CASH AND CASH EQUIVALENTS (A)+(B)+(C)		8,99,588
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		—
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		<b><u>8,99,588</u></b>
COMPONENTS OF CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		
Current Account with Banks		8,95,588
Cash, Stamps and Stamp Papers on Hand		<u>4,000</u>
		<b><u>8,99,588</u></b>

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

Chennai,  
19th May 2006

**T.T. Srinivasaraghavan**  
**Srinivas Acharya**  
**K. Swaminathan**  
**S. Venkatesan**  
Directors