

LGf SERVICES LIMITED

3rd Annual Report 2006-07



Board of Directors

Paramesh Krishnaier

M Ramaswamy

G Sundararajan

Bankers

State Bank of Travancore

State Bank of Patiala

Kotak Mahindra Bank Ltd.

ICICI Bank

Auditors

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

Registered Office

21, Patullos Road
Chennai 600 002

LGF SERVICES LIMITED

A wholly-owned subsidiary of



SUNDARAM FINANCE LIMITED

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	18
Cash Flow Statement	19

Directors' Report

Your Directors present the Third Annual Report and Audited Accounts for the year ended 31st March, 2007.

FINANCIAL RESULTS

(Rs. in Lakhs)

Particulars	Year ended	Year ended
	March 31, 2007	March 31, 2006
Profit after tax	153.81	92.64
Add: Surplus of Previous Year	17.53	6.90
Amount available for appropriation	171.34	99.54
Transfer to General Reserve	16.00	25.00
Dividend	87.50	50.00
Dividend Tax	12.27	7.01
Surplus carried to Balance Sheet	55.57	17.53

BUSINESS REVIEW

During the year under review, the total commission earned through distribution of insurance products of M/s. Oriental Insurance Company Limited increased substantially to Rs.474.72 lakhs as against Rs. 278.61 lakhs in the previous year. The profit after tax for the year amounted to Rs.153.81 lakhs as against Rs.92.64 lakhs in the previous year.

DIVIDEND

Your company paid interim dividend of Rs.35 per share amounting to Rs.99.77 lakhs (inclusive of dividend tax) for the financial year 2006-07, on the paid-up capital of the company, consisting of 2,50,000 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 Paramesh Krishnaier and Sri M Ramaswamy have been co-opted as additional directors of your Company on 20th March 2007. Under Section 260 of the Companies Act, 1956, they hold office upto the date of the ensuing Annual General Meeting. The Company has received due notice from a member proposing their appointment as Directors of the Company.

Sri P. Viswanathan and Sri S Srinivasan have relinquished the office of Directorship with effect from 20th March 2007. The Directors wish to place on record their appreciation for their services.

Sri G Sundararajan, 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 have been followed;
- (ii) that they have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent, so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for that period;
- (iii) that they have taken proper and sufficient care for the maintenance of adequate accounting records, in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- (iv) that they have 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 Brahmayya & Co, Chartered Accountants, Chennai, retire and are eligible for reappointment. A certificate under Section 224(1B) of the Companies Act, 1956 has been received from them.

ACKNOWLEDGEMENT

Your Directors thank the holding company, Sundaram Finance Ltd for its support.

Chennai 600 002

Date : 10th May 2007

Paramesh Krishnaier

M Ramaswamy

G Sundararajan

Directors

Secretarial Compliance Certificate

Name of the Company : LGF SERVICES LIMITED
Registration No. : U67190TN2004PLC052384
Authorized Capital : Rs.25,00,000/-
Paid-up Capital : Rs.25,00,000/-

To,

The Members

LGF Services Limited

21, Patullos Road,

Chennai – 600 002.

I have examined the registers, records, books and papers of **LGF SERVICES 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 **31st March 2007**. 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 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 22nd May 2006, 30th June 2006, 1st July 2006, 3rd August 2006, 22nd November 2006 and 20th March 2007 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 2007.
6. The Second Annual General Meeting for the financial year ended 31st March 2006 was held on 30th June 2006 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. No Extra-Ordinary General Meeting was held during the financial year ended 31st March 2007.
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 year ended 31st March 2007.
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 deposited the amount of interim dividend for the year 2006-07 in a separate bank account on 22.03.07 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 2007.

- (iv) has issued bonus shares during the financial year ended 31st March 2007 and has not issued any debentures and has not accepted any deposits and there was no unpaid dividend 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 year under review.
16. The Company has not appointed any sole selling agent during the year ended 31st March 2007.
17. 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 year ended 31st March 2007.
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 2,00,000 Bonus shares during the financial year ended 31st March 2007 and complied with the provisions of the Act.
20. The Company has not bought back any shares during the year 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 year 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 year ended 31st March 2007.
24. The amount borrowed by the Company from directors, members, public financial institutions, banks and others during the financial year ending 31st March 2007 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 annual/extraordinary 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 year 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 year ended 31st March 2007, for offences under the Act.
28. The Company has not received any money as security from its employees during the year ended 31st March 2007.
27. According to the information and explanations given to me, during the year under review, the provisions relating to contribution to Provident Fund did not apply to the Company.

Place: Chennai

MALINI SESHADRI, A.C.S.

Date: 19.04.2007

No. 5493 CP1323

Annexure A to Secretarial Compliance Certificate

Registers as maintained by the Company during the year ended 31st March, 2007

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

Place: Chennai

Date: 19.04.2007

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 2007

REGISTRAR OF COMPANIES

Sl.No	Form No.	Relevant Section	Description
1.	23	192	Ordinary Resolution under Section 293(1)(d) of the Companies Act, 1956, authorising the Board of Directors to borrow money upto Rs.2.00 cr.
2.	2	71	Return of Allotment relating to Bonus Shares.
3.	23AC	220	Filing of Balance Sheet and Profit and Loss Account for the financial year ended 31st March 2006.
4.	20B	159	Annual Return made upto 30th June 2006 (Date of AGM).
5.		DIN 3	Intimation of Director Identification Number.
6.	32	303	Appointment of Shri Paramesh Krishnaier and Shri M Ramaswamy as Directors.
7.	32	303	Resignation of Directors Shri P Viswanathan and Shri S Srinivasan.

REGIONAL DIRECTOR

NIL

CENTRAL GOVERNMENT & OTHER AUTHORITIES

NIL

Place: Chennai
Date: 19.04.2007

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

Auditors' Report

to the Members of M/s. LGF Services Limited

1. We have audited the attached Balance Sheet of LGF Services Limited, (the Company) as at 31st March 2007, 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 the 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 2007 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2007 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 2007;
 - (b) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
 - (c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

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

Place : Chennai
Date : 10th May 2007

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

1. In our opinion and according to the information and explanations given to us, the company has not granted or taken loans to / from companies, firms or other parties covered in the register maintained under Section 301 of the Act. Therefore, the provisions of clauses iii(a) to iii(d) of Paragraph 4 of the Order are not applicable to the company for the year.
2. 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 services rendered by the company. 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.
3. a) To the best of our knowledge and belief 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.
b) In our opinion, according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements have prima facie been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
4. The company has not accepted deposits.
5. The company has an internal audit system which in our opinion, is commensurate with the size and the nature of its business.
6. The Central Government has not prescribed the maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956.
7. a) According to the records of the company and the information and explanations given to us, income tax and service 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 and service tax which are outstanding as at 31st March, 2007 for a period of more than six months from the date they become payable.
c) 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.
8. According to the records of the company and the information and explanations given to us, there are no dues of income tax and service tax which have not been deposited on account of any dispute.
9. The company does not have any accumulated losses at the end of the financial year and has not incurred cash loss during the current year.
10. The company does not have any borrowing from financial institutions, or by issue of debentures. The company has not defaulted in the repayment of the bank borrowing.
11. 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) issued any debentures.
 - e) raised monies by public issue during the year.
12. The company is not a chit fund / nidhi / mutual benefit fund or society.
13. 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.
14. 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.
15. In our opinion and according to the information and explanations given to us, the nature of the company's business/ activities during the period have been such that clauses i, 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

Place : Chennai
Date : 10th May 2007

Balance Sheet

as at 31st March, 2007

Schedule	31.03.2007		31.03.2006	
	Rs.		Rs.	
I SOURCES OF FUNDS				
1. Shareholders' Funds				
(a) Capital	1	25,00,000	5,00,000	
(b) Reserves and Surplus	2	<u>91,57,279</u>	<u>57,52,982</u>	62,52,982
2. Loan Funds				
(a) Secured Loans		—	—	
(b) Unsecured Loans	3	<u>20,99,404</u>	<u>—</u>	—
Total		<u>1,37,56,683</u>	<u>62,52,982</u>	
II APPLICATIONS OF FUNDS				
1. Fixed Assets		—	—	
2. Investments	4	65,00,000	8,25,457	
3. Current Assets, Loans and Advances				
(a) Current Assets	5	3,41,809	40,62,016	
(b) Loans and Advances	6	<u>77,74,605</u>	<u>88,30,286</u>	
(A)		<u>81,16,414</u>	<u>1,28,92,302</u>	
Less: Current Liabilities and Provisions				
(a) Current Liabilities	7	8,62,807	17,68,141	
(b) Provisions	8	—	<u>57,01,250</u>	
(B)		<u>8,62,807</u>	<u>74,69,391</u>	
Net Current Assets	(A-B)	72,53,607		54,22,911
4. Miscellaneous Expenditure				
(to the extent not written off or adjusted)	9	3,076		4,614
Total		<u>1,37,56,683</u>	<u>62,52,982</u>	
Notes to the Accounts	14			

As per our report of even date attached
For **Brahmayya & Co.**,
Chartered Accountants
L. Ravi Sankar
Partner
Chennai 600 002
10th May 2007

Paramesh Krishnaier

M Ramaswamy

G Sundararajan

Directors

Profit and Loss Account

for the Year Ended 31st March, 2007

	Schedule	2006-2007	2005-2006
	Rs.	Rs.	Rs.
<u>INCOME:</u>			
Income from Operations	10	4,74,72,103	2,78,61,374
Other Income	11	6,45,643	36,050
Total	(A)	<u>4,81,17,746</u>	<u>2,78,97,424</u>
<u>EXPENDITURE:</u>			
Financial expenses	12	59,909	-
Administrative and other expenses	13	2,48,74,814	1,39,30,006
Preliminary expenses written off		1,538	1,538
Total	(B)	<u>2,49,36,261</u>	<u>1,39,31,544</u>
PROFIT BEFORE TAX	(A-B)	<u>2,31,81,485</u>	<u>1,39,65,880</u>
Less:			
Provision for Income tax-Current		78,00,000	47,02,000
PROFIT AFTER TAX		<u>1,53,81,485</u>	<u>92,63,880</u>
Balance Brought Forward from the previous year		17,52,982	6,90,352
AMOUNT AVAILABLE FOR APPROPRIATION		<u>1,71,34,467</u>	<u>99,54,232</u>
<u>APPROPRIATIONS</u>			
Dividend			
- Interim		87,50,000	50,00,000
- Dividend Distribution Tax		12,27,188	7,01,250
General Reserve		16,00,000	25,00,000
Surplus - Balance carried to Balance Sheet		55,57,279	17,52,982
		<u>1,71,34,467</u>	<u>99,54,232</u>
Notes to the Accounts	14		
Earnings per share (Basic and diluted):			
Number of Shares Considered (Face Value of Rs.10/- per Share)		2,50,000	2,50,000
(Previous year shares restated as per AS-20)			
Basic Earnings per Share		61.53	37.06

As per our report of even date attached
For **Brahmayya & Co.,**
Chartered Accountants
L. Ravi Sankar
Partner
Chennai 600 002
10th May 2007

Paramesh Krishnaier

M Ramaswamy

G Sundararajan

Directors

SCHEDULES

(in.Rs.)

	31.03.2007	31.03.2006
1. Capital		
Authorised		
2,50,000 Equity shares of Rs.10/- each	<u>25,00,000</u>	<u>25,00,000</u>
Issued, Subscribed and fully paid up		
2,50,000 Equity shares of Rs.10/- each (includes 2,00,000 Equity Shares of Rs.10/- each allotted as fully paid-up by way of bonus shares by capitalisation of General Reserve) (The entire shares are held by Sundaram Finance Ltd.and its nominees)	<u>25,00,000</u>	<u>5,00,000</u>
2. Reserves and Surplus		
General Reserve		
Per Last Balance Sheet	40,00,000	15,00,000
Less: Capitalised during the year by way of issue of Bonus Shares	20,00,000	-
Add: Transfer from Profit and Loss Account	<u>16,00,000</u>	<u>25,00,000</u>
Total	36,00,000	40,00,000
Surplus- Balance in Profit and Loss account	55,57,279	17,52,982
	<u>91,57,279</u>	<u>57,52,982</u>
3. Unsecured Loans		
- Overdraft from a Scheduled Bank	20,99,404	-

		(in.Rs.)	
		Face Value	
		FV	
		31.03.2007	31.03.2006
4. Investments			
Long Term - At cost			
In Trust Securities			
In Mutual Funds			
Unquoted			
Sundaram BNP paribas Fixed Term Plan - 16 Months (4,00,000 units of Rs.10/- each purchased during the year)	40,00,000	40,00,000	-
Current Investments			
In Trust Securities			
Standard Chartered Fixed Maturity Plan - 3 Months (1,50,000 units of Rs.10/- each purchased during the year)	15,00,000	15,00,000	-
TATA Fixed Horizon Fund - 3 Months (1,00,000 units of Rs.10/- each purchased during the year)	10,00,000	10,00,000	
Sundaram Money Fund-Appreciation Scheme (Opening Balance - 58,728 Units redeemed during the year)		-	8,25,457
Total		<u>65,00,000</u>	<u>8,25,457</u>
SUMMARY OF INVESTMENTS			
In Trust Securities			
Unquoted - Long Term		40,00,000	-
Unquoted - Current		25,00,000	8,25,457
Total		<u>65,00,000</u>	<u>8,25,457</u>

(in.Rs.)

	31.03.2007	31.03.2006
5. Current Assets		
- Cash and Bank Balances with Scheduled Bank in		
- Current Accounts	3,41,809	40,62,016
	<u>3,41,809</u>	<u>40,62,016</u>
6. Loans and Advances		
Advance Income Tax and Tax deducted at source (net of provision for Income Tax)	29,41,268	4,29,671
Income Receivable	48,33,337	84,00,615
	<u>77,74,605</u>	<u>88,30,286</u>
7. Current Liabilities		
Sundry Creditors		
- Expenses	7,88,845	17,12,365
- Others	73,962	55,776
	<u>8,62,807</u>	<u>17,68,141</u>
8. Provisions		
Interim dividend	-	50,00,000
Dividend Distribution Tax	-	7,01,250
	<u>-</u>	<u>57,01,250</u>
9. Miscellaneous Expenditure		
Preliminary expenses	4,614	6,152
Less: Written off during the year	1,538	1,538
	<u>3,076</u>	<u>4,614</u>
10. Income from Operations:		
Insurance Agency Commission	<u>4,74,72,103</u>	<u>2,78,61,374</u>
11. Other Income		
Profit on Redemption of Investments	1,09,859	35,586
Dividend Income	3,35,784	-
Interest	-	464
Miscellaneous Income	2,00,000	-
	<u>6,45,643</u>	<u>36,050</u>
12. Financial Expenses		
Interest on Overdraft to a Bank	<u>59,909</u>	<u>-</u>
13. Administrative and other expenses		
Outsourced Servicing Fees	2,47,11,915	1,38,68,088
Rates and Taxes	11,497	5,981
Miscellaneous expenses	1,44,945	55,937
Loss on redemption of Investments	6,457	-
	<u>2,48,74,814</u>	<u>1,39,30,006</u>

SCHEDULES

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 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 is accounted on accrual basis.

1.3 Valuation of Investments

Long Term investments are stated at cost. Provision for decline 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 Taxation

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

Deferred tax liabilities arising from timing differences have been fully provided for. Deferred tax assets are recognized on consideration of prudence.

1.5 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 the higher of the net selling price of the assets and their value in use.

1.6 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.

1.7 Preliminary Expenses

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

1.8 Intangible Assets

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

SCHEDULES

14. NOTES TO THE ACCOUNTS (Contd.)

2. BALANCE SHEET

- 2.1 Advance payment of Income Tax and tax deducted at source is net of provision for taxation of Rs.1,41,52,000/- (31/03/2006 – Rs.63,52,000/-).

3. PROFIT AND LOSS ACCOUNT

- 3.1 The operations of the Company are conducted by outsourced personnel.
- 3.2 Miscellaneous expenses under “Administrative and Other Expenses” include Remuneration to Auditors towards:

(in Rs.)

	2006-07	2005-06
Statutory Audit	20,000	20,000
Tax Audit	7,000	7,000
Service Tax	3,338	3,305

4. 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 Parties:

Holding Company:

Sundaram Finance Ltd.

Fellow Subsidiaries:

Sundaram Home Finance Ltd.

Sundaram BNP Paribas Asset Management Company Ltd.

Sundaram BNP Paribas Trustee Company Ltd.

Royal Sundaram Alliance Insurance Company Ltd. (up to 23.11.06)

Sundaram Finance Distribution Ltd.

Sundaram Infotech Solutions Ltd.

Sundaram Business Services Ltd.

Infreight Logistics Solutions Ltd. (from 24.11.06)

Associate:

Sundaram BNP Paribas Mutual Fund

Related Party Transactions

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

(in Rs.)

Nature of Transactions	Holding Company	Fellow Subsidiaries	Associate	Total
Expenses				
Sundaram Finance Ltd.				
- Sourcing Fee	46,23,907	-	-	46,23,907
	(1,03,44,893)	-	-	(1,03,44,893)
Sundaram Finance Distribution Ltd.				
- Sourcing Fee	-	-	-	-
	-	(4,63,443)	-	(4,63,443)
Assets				
Sundaram Mutual Fund				
- Investment in Trust Securities	-	-	2,30,89,412	2,30,89,412
			(18,00,000)	(18,00,000)
- Disinvestment in Trust Securities	-	-	2,35,71,616	2,35,71,616
			(9,74,543)	(9,74,543)
- Investment in Trust Securities at the end of the year	-	-	40,00,000	40,00,000
			(8,25,457)	(8,25,457)
Liabilities				
Sundaram Finance Ltd.				
- Dividend Payable	-	-	-	-
	(50,00,000)	-	-	(50,00,000)
Others				
- Interim Dividend Paid	87,50,000	-	-	87,50,000
	(50,00,000)	-	-	(50,00,000)

Equity Share Capital of Rs.25,00,000 is outstanding as on 31.03.2007 .

(The entire shares are held by Sundaram Finance Limited and its nominees).

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

4.3 There is no amount due to Small Scale Industries in terms of "The Micro, Small and Medium Enterprises Development Act, 2006".

4.4 Earnings per share (Basic and diluted):	For the year ended 31st March 2007	For the year ended 31st March 2006
A. Profit for the year after taxation (Rs.)	1,53,81,485	92,63,880
B. Total number of equity shares of Rs.10/- each outstanding at the end of the year (in numbers)	2,50,000	50,000
C. Adjusted no. of equity shares Outstanding	2,50,000	2,50,000
D. Basic earnings per share (Rs.) (A/C)	61.53	37.06

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

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
Chennai 600 002
10th May 2007

Paramesh Krishnaier
M Ramaswamy
G Sundararajan
Directors

CASH FLOW STATEMENT

For Year Ended 31/03/2007

	2006-2007 Rs.	2005-2006 Rs.
A) CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit	1,53,81,485	92,63,880
Add: Provision for Taxation	78,00,000	47,02,000
Preliminary expenses written off	1,538	1,538
	2,31,83,023	1,39,67,418
Less: Interest Received		(464)
Less: Profit on sale of investments	(1,03,402)	(35,586)
Less: Dividend Income	(3,35,784)	-
Add: Financial Expenses	59,909	-
Operating Profit Before Working Capital Changes	2,28,03,746	1,39,31,368
(Increase)/Decrease in receivables	(57,44,319)	(1,05,98,435)
Increase/(Decrease) in Current Liabilities	(9,05,334)	(1,29,001)
Cash generated from Operations	(66,49,653)	(1,07,27,436)
Financial Expenses	(59,909)	
Preliminary Expenses	-	-
Direct Taxes Paid	(10,00,000)	(11,90,000)
NET CASH FROM OPERATING ACTIVITIES (A)	1,50,94,184	20,13,932
B) CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Investments	(6,93,80,260)	(18,00,000)
Sale of Investments	6,38,09,119	30,10,129
Redemption of Deposits	-	25,000
Interest Received	-	687
Dividend Received	3,35,784	-
NET CASH FROM INVESTING ACTIVITIES (B)	(52,35,357)	12,35,816
C) CASH FLOW FROM FINANCING ACTIVITIES		
Increase in Capital	-	-
Dividend paid	(1,56,78,438)	(5,70,125)
Increase (Decrease) in Bank Borrowings	20,99,404	-
Increase (Decrease) in long term borrowings	-	-
NET CASH FROM FINANCING ACTIVITIES (C)	(1,35,79,034)	(5,70,125)
Net Increase in Cash and Cash Equivalents (A)+(B)+(C)	(37,20,207)	26,79,623
Cash and Cash Equivalents at the Beginning of the period	40,62,016	13,82,393
Cash and Cash Equivalents at the End of the period	3,41,809	40,62,016
Components of Cash and Cash Equivalents at the End of the Period		
Current Account with Banks	3,41,809	40,62,016
Cash, Stamps and Stamp Papers on Hand	-	-

As per our report of even date attached
For **Brahmayya & Co.,**
Chartered Accountants
L. Ravi Sankar
Partner
Chennai 600 002
10th May 2007

Paramesh Krishnaier

M Ramaswamy

G Sundararajan

Directors