

*SUNDARAM BNP PARIBAS ASSET
MANAGEMENT COMPANY LIMITED*

11th Annual Report 2006-07

Board of Directors

D N Ghosh	<i>Chairman</i>
T P Raman	<i>Managing Director</i>
T T Srinivasaraghavan	
Guy de Froment	
Max Diulus	
S Krishnamurthy	
T N Anantharam Iyer	
Ashoke Bijapurkar	
Banikanta Mishra	
T Anantha Narayanan	

Audit Committee

S Krishnamurthy	<i>Chairman</i>
T N Anantharam Iyer	
T P Raman	

Investment Committee

S Krishnamurthy	<i>Chairman</i>
T T Srinivasaraghavan	
T P Raman	
T Anantha Narayanan	

Chief Finance Officer

T S Sritharan

Company Secretary

P Sundararajan

Bankers

BNP Paribas
Corporation Bank
HDFC Bank Ltd.
State Bank of Mysore
State Bank of Trevancore

Auditors

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

Systems Auditors

M/s. Tejas Brainware Systems (P) Ltd., Chennai

Registered Office

No. 21, Patullos Road,
Chennai - 600 002

Corporate Office

SUNDARAM TOWERS
II Floor, 46, Whites Road, Chennai - 600 014.
Tel: 28583362, Fax: 28583156

Website : www.sundarambnpparibas.in

Other Committees

Remunerations Committee

D N Ghosh *Chairman*
T P Raman
T T Srinivasaraghavan
Ashoke Bijapurkar
Max Diulus

Products & Strategy Committee

K V Krishnamurthy *Chairman*
(Director of Trustee Company)
T P Raman
Ashoke Bijapurkar
T Anantha Narayanan



Sundaram Finance Limited
Registered Office:
21, Patullos Road,
Chennai 600 002.

Sponsors



BNP PARIBAS Asset Management
5, Avenue Kleber,
75116, Paris, France

INVESTMENT MANAGER: Sundaram BNP Paribas Asset Management Company Ltd. TRUSTEE: Sundaram BNP Paribas Trustee Company Limited

BRANCHES

Agra	Coimbatore	Kanpur	Pune
Ahmedabad	Dehradun	Kolkatta	Raipur
Bangalore	Delhi	Lucknow	Rajkot
Baroda	Durgapur	Ludhiana	Salem
Bhopal	Guwahati	Madurai	Surat
Bhubaneswar	Hyderabad	Mumbai	Trichy
Calicut	Indore	Nagpur	Trivandrum
Chandigarh	Jaipur	Nashik	Vellore
Chennai (Sales Office)	Jalandhar	Patna	Vijawada
Cochin	Jodhpur	Pondicherry	Vizag

SUNDARAM BNP PARIBAS ASSET MANAGEMENT COMPANY LIMITED

A subsidiary of



SUNDARAM FINANCE
Enduring values. New age thinking.

Contents

Directors' Report	4
Auditors' Report	11
Balance Sheet	14
Profit and Loss Account	15
Schedules	16
Cash Flow Statement	28
Balance Sheet Abstract and Company General Business Profile	29

Directors' Report

Your Directors have pleasure in presenting the Eleventh Annual Report with the audited financial statement of accounts for the year ended 31st March 2007. The financial performance of your Company for the year 2006-07 is summarised below:

FINANCIAL RESULTS:

(Rs. In lakhs)

Particulars	Year ended March 31, 2007	Year ended March 31, 2006
Gross Income	4825.35	2035.31
Profit before depreciation and tax	969.27	262.38
Profit after tax before prior period adjustment	575.39	174.44
Less: Prior period expenses	-	(152.00)
Provision for tax relating to earlier year	(1.20)	(2.81)
Profit after tax and prior period items	574.19	19.63
Surplus brought forward from the previous year	62.12	42.49
Less: Transitional Adjustments as per Accounting Standard 15- Employee benefits	38.59	-
Surplus available for appropriations	597.73	62.12
Less : Appropriations:		
Dividend Proposed (Final) @15%	230.00	-
Dividend Distribution Tax	39.09	-
Transfer to General Reserves	59.00	-
Surplus carried to Balance sheet	269.64	62.12

Your Company earned a total income of Rs 4825.35 lakhs for the year 2006-07, by way of investment management and advisory fees and other income during the year, as against of a total income of Rs. 2035.31 Lakhs reported in the previous year, recording a growth of 137 % over the previous year. Your company reported a profit after tax (before prior period adjustment) of Rs.575.39 Lakhs for the year 2006-07 as against Rs.174.44 Lakhs in the previous year. The surplus available for the year amounted to Rs. 597.73 cr. Considering the good performance by the company, your Directors are pleased to recommend a maiden dividend of 15 % on the paid up capital of the company. The dividend, together with dividend tax, absorbs a sum of Rs.269.09 Lakhs. A sum of Rs.59 Lakhs is proposed to be transferred to the General Reserves, leaving a balance of Rs.269.64 Lakhs to be retained as surplus in the profit and loss account.

INDUSTRY REVIEW

The mutual fund industry recorded a healthy growth in the financial year 2006-07. Gross mobilisations by the industry during the year amounted to Rs.19, 38,592 cr., as against Rs. 10, 98,158 cr. in the previous year, registering an increase of 76.53 % over the previous year. The industry also witnessed redemptions aggregating to Rs. 18, 44,512 cr. as against Rs. 10, 45, 382 Cr., in the previous year. On a net basis, inflows amounted to Rs. 94,080 cr. as against Rs.52, 776 cr. in the previous year, registering a growth of 78%.

The Assets Under Management of the industry as on March 31, 2007 stood at Rs. 3, 26,388 cr., as against Rs. 2, 31,862 Cr. as at March 31, 2006, registering an increase of 40.77% over the previous year.

Investor friendly and market related products, extension of branch network into non-metros and rural areas and investor awareness campaigns by the Asset Management Companies contributed to the increased inflows into the schemes.

COMPANY PERFORMANCE

Your Directors are pleased to report that during 2006-2007, the gross mobilisation under the various schemes of Sundaram BNP Paribas Mutual Fund amounted to Rs. 22,085 cr. as against Rs. 9,412 Cr. in the previous financial year, registering an increase of 135 % over the previous year. The redemptions during the year amounted to Rs. 17,667 cr. as against Rs. 8,824 cr. in the previous year. The net inflow of funds for the year 2006-07, amounted to Rs. 4,418 cr. as against Rs. 587 cr. in the previous year.

During the year under review, Sundaram BNP Paribas Mutual Fund launched three new equity schemes viz. Sundaram BNP Paribas Rural India Fund, Sundaram BNP Paribas Equity Multiplier, and Sundaram BNP Paribas Select Small Cap, which mobilized a sum of Rs. 2,075 cr in the aggregate. The Fund also launched several Fixed Term Plans with maturities ranging from 90 days to 16 months. The aggregate mobilisation from these plans amounted to Rs. 2,933 cr. Thus the gross mobilisation from the new schemes amounted to Rs 5,008 cr.

Your Directors are happy to report that during the year 2006-07, the equity corpus of the Sundaram BNP Paribas Schemes has grown to Rs.5, 387 Cr. Owing to the strong performance by the equity schemes, notably Sundaram BNP Paribas Select Midcap and Sundaram BNP Paribas Select Focus.

The overall Assets Under Management of your company as at March 31, 2007 stood at Rs. 7441 cr., comprised of 19 open ended and 13 close ended funds, as against Rs. 3,278 cr. as at March 31, 2006, an increase of 127%.

The commendable performance of the Sundaram BNP Paribas Mutual Fund schemes not only attracted considerable investor interest but also enabled them to reward investors with frequent dividend payments. The number of investor's accounts increased from 2.96 lakhs to 11.06 lakhs during the year.

AWARDS AND RECOGNITION

Sundaram BNP Paribas Mutual Fund schemes continued to demonstrate consistently good performance during the year and were rated highly by the independent research agencies.

CRISIL AWARD

Sundaram BNP Paribas Mid Cap was adjudged as the Best Equity Diversified Fund and Sundaram BNP Paribas Select Focus as the Best Large Cap Oriented Fund of the year 2006, by CRISIL.

Sundaram BNP Paribas Mid Cap Fund has also been ranked ICRA MFR 1 by ICRA Mutual Funds Awards, in the category Open Ended Diversified Equity-Aggressive, for its 1-year and 3- year performance for the year 2006. The rank indicates performance within the top 10% of the stated category. 46 schemes (for 1 year performance) and 32 schemes (for 3 year performance) were chosen for comparison and analysis in the category.

CRISIL COMPOSITE PERFORMANCE RATING

CRISIL has assigned the 'CPR 1 rating to Sundaram BNP Paribas Midcap Fund under the diversified equity schemes and Sundaram BNP Paribas Select Focus fund under the large cap oriented equity schemes, for the quarter ended March 31, 2007.

The following schemes of Sundaram BNP Paribas Mutual were assigned CPR 2 ratings by CRISIL:

Name of the scheme	Category
Sundaram BNP Paribas Growth Fund	Large cap oriented scheme
Sundaram BNP Paribas India Leadership Fund	Diversified Equity scheme
Sundaram BNP Paribas Tax Saver	Equity Linked Savings Scheme
Sundaram BNP Paribas Money Fund	Liquid scheme
Sundaram BNP Paribas Money Fund	Liquid Fund Regular, Institutional and Super Institutional Options

Sundaram BNP Paribas Money Fund and Sundaram BNP Paribas Floating Rate Fund continue to enjoy the CRISIL 'AAA' rating. The rating signifies that the portfolio holdings of the schemes provide strong protection against losses from credit defaults.

VALUE RESEARCH

Value Research, an independent research agency, assigned the highest rating of Five Star to Sundaram BNP Paribas Select Midcap fund, while Sundaram BNP Paribas Tax Saver and Sundaram BNP Paribas Select Debt – Short Term Asset Plan were assigned 4 star rating.

ECONOMIC TIMES MUTUAL FUND TRACKER

The Economics Times as part of the ET quarterly mutual fund tracker rated the schemes of Sundaram BNP Paribas as under for the quarter ended March 2007:

- Platinum - Sundaram BNP Paribas Tax Saver – Dividend
- Gold - Sundaram BNP Paribas Select Midcap (Growth)
 - Sundaram BNP Paribas Growth (Growth)
 - Sundaram BNP Paribas Balanced Fund (Growth)
- Silver - Sundaram BNP Paribas Select Focus (Growth)
- Bronze - Sundaram BNP Paribas Monthly Income Plan
 - Sundaram BNP Paribas Bond Saver (Appreciation)

ADVISORY SERVICES

Your company has been providing advisory services to BNP Paribas' Parvest India Fund and the Indian portfolio of Parvest BRIC Fund.

PORTFOLIO MANAGEMENT SERVICES

Your company has secured the necessary approvals to enter into Portfolio Management Services. The Board of Directors are happy to announce that your company has formed a separate division for providing discretionary, advisory and non-discretionary services to investors.

BRANCHES

During the year, your Company opened new branches at 20 centres, taking the number of branches to 40. Your company has also

identified 25 new locations for expanding its reach during the current financial year.

PROSPECTS

The mutual fund industry is expected to grow at 20%, driven by increased participation from all investor segments and the expansion of branches and distributor networks into Tier II and Tier III cities. Market trends would seem to indicate that fixed income products are back in favour. With rising interest rates and volatility in the stock markets, investors are likely to seek safe and predictable fixed income instruments.

With the entry of new AMCs, competition in the mutual fund industry is likely to intensify. Existing and new market players, as well as Exchange Traded Funds are likely to enter the market in the coming months with a significant number of new schemes. However, in the changed scenario, the attractive returns yielded by the equity funds in the previous year may not be sustained.

Your company has already drawn up plans to introduce a wide range of products to suit different investor segments. In addition, your company plans to expand geographically, in order to deepen and widen its marketing reach and improve customer service standards.

DIRECTORS

Mr. Francois Petit Jean and Mr. Banikanta Mishra relinquished office as Directors of the Board. Your Directors place on record their recognition and appreciation of the valuable contributions made by Mr. Francois Petit John and Mr. Banikanta Mishra to the growth and progress of the Company.

Mr. Diulus Max was appointed as an additional director on October 17, 2006. In terms of Section 260, his tenure as an additional director would conclude at the ensuing annual general meeting. He seeks appointment as Director at the ensuing annual general meeting.

Mr. D N Ghosh, Chairman and Mr. T P Raman, Managing Director, retire at the ensuing general meeting and seek appointment as directors whose term of office is subject to retirement by rotation.

Your Board of Directors have reappointed Mr. T.P.Raman as the Managing Director of your company for a period of 3 years, with effect from July 1, 2007.

Your company has received a notice from a member proposing the appointment of the said directors under section 257 of the Companies Act, 1956, at the ensuing general meeting.

Mr. T.N. Anantharam Iyer and Mr. Ashoke Bijapurkar retire by rotation at the ensuing Annual General Meeting and, being eligible, offer themselves for re-election.

Necessary resolutions for the appointment / re-appointment of the aforesaid directors have been submitted in the notice for your approval

BOARD COMMITTEES

AUDIT COMMITTEE

The Audit Committee of the Board comprising Mr. S. Krishnamurthy and Mr. T.N. Anantharam Iyer, Directors and Mr. T.P. Raman, Managing Director met seven times during the year. The Committee reviewed the financial accounts and policies, adequacy of internal control systems, audit plans, un-audited/audited financial results, besides reviewing the responses and follow-up reports of the management.

INVESTMENT COMMITTEE

The Investment Committee of the Board comprising Mr.S.Krishnamurthy, Mr. T. T. Srinivasaraghavan and Mr. T.N.Anantha Narayanan Directors, and Mr. T. P. Raman, Managing Director, met twice during the year. The committee is responsible for laying down the investment norms and investment strategy, as well as reviewing the performance of the various schemes of Sundaram BNP Paribas Mutual Fund. The Committee also took note of the purchases and sale of investments made by the schemes.

REMUNERATION COMMITTEE

The Remuneration Committee, comprising Mr. D.N. Ghosh the Chairman, Mr. T.P.Raman, the Managing Director, Mr. T.T.Srinivasaraghavan, Mr. Ashoke Bijapurkar met twice during the year. Mr. Max Diulus, Director has been co-opted as additional

member. The Committee reviews and approves the remuneration policy for the key employees of the Company.

PRODUCTS AND STRATEGY COMMITTEE

The Products and Strategy Committee evaluates the new products proposed by the Company and recommends the launch of schemes. It also reviews the marketing and distribution strategy adopted for promoting Mutual Fund schemes. The Committee which met twice during the year was reconstituted with the following members:

Mr. K.V.Krishnamurthy (Director of Trustee Company)	Chairman
Mr. T P Raman, Managing Director	Member
Mr. Ashoke Bijapurkar	Member
Mr. T. Anantha Narayanan	Member

Consequent to the reconstitution of the Products and Strategy Committee, the Joint Committee of the AMC and Trustee Company stands dissolved.

PUBLIC DEPOSITS

During the year under review, your company has not accepted any deposits from the public.

PARTICULARS REGARDING CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND EXPENDITURE

(a) Since the Company does not carry out any manufacturing activities, particulars required to be disclosed with respect to the conservation of energy and technology absorption in terms of Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 are not applicable.

(b) Foreign Exchange, earnings and expenditure during the year. -

Particulars	2006-07 (Rs.)	2005-06 (Rs.)
Foreign Exchange Earnings	2,37,59,831.00	13,65,855.00
Foreign Exchange Expenditure	6,89,104.00	6,48,883.00

PERSONNEL

The number of employees on the rolls of the company as at 31 March 2007 stood at 219. Your company imparted various training programmes to the employees to enhance their skills.

As required by the provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended, the names and other particulars of the employees are set out in the annexure - II to the Directors' Report.

THE DIRECTORS' RESPONSIBILITY STATEMENT PURSUANT TO SECTION 217(2AA) OF THE COMPANIES ACT, 1956.

THE DIRECTORS CONFIRM:

1. That in preparation of the annual accounts, the applicable accounting standards had been followed;
2. That they had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent, so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and the profit or loss for that period;
3. 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

4. That they had prepared the annual accounts on a going concern basis.

AUDITORS

Messrs Brahmayya & Co., Chartered Accountants, retire at the ensuing Annual General Meeting and are eligible for re-appointment. A certificate under Section 224(1B) of the Companies Act, 1956, has been received from them.

SEBI REGULATIONS

Your Company complied with all the provisions SEBI (Mutual Fund) Regulations, 1996 with regard to the Asset Management Company.

ACKNOWLEDGEMENT

Your Directors wish to place on record their deep appreciation of the professional support and guidance received from the Trustees of Sundaram BNP Paribas Mutual Fund, Sundaram Finance Limited and BNP Paribas Asset Management, Paris.

Your Board of Directors also thank the Securities and exchange Board of India, Association of Mutual Funds in India, the Company's bankers and distributors for their continued support and co-operation. Your Directors place on record their appreciation of the dedication and commitment displayed by the employees of your Company.

Chennai
May 15, 2007

For and on behalf of the Board
D.N. Ghosh
Chairman

**SUNDARAM BNP PARIBAS MUTUAL FUND
DETAILS OF SCHEMEWISE AND NAV PER UNIT AS ON 31.03.2007**

Annexure I

Sl. No	Name of the Schemes	Sch Type	(AUM Rs. in Lakhs)	NAV Per Unit																
				Growth	Dividend	Daily Div	Weekly Div	Fortnightly Div	Monthly Div	Quarterly Div	Half Yearly Div	Annual Div	Bonus Option							
	Equity Schemes																			
1	Sundaram BNP Paribas Capex Opportunities Fund	O E	34,478.49	-	14.68	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2	Sundaram BNP Paribas Capex Opportunities Fund	O E	21,137.73	15.75	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3	Sundaram BNP Paribas Select Midcap	O E	203,384.37	86.16	14.76	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4	Sundaram BNP Paribas Select Focus	O E	33,158.31	57.34	12.48	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5	Sundaram BNP Paribas Growth Fund	O E	15,410.95	62.76	13.73	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6	Sundaram BNP Paribas Balanced Fund	O E	4,550.37	15.22	31.05	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
7	Sundaram BNP Paribas Small Cap	C E	29,742.80	9.90	9.90	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8	Sundaram BNP Paribas Equity Multiplier	C E	53,818.60	9.81	9.81	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9	Sundaram BNP Paribas India Leadership Fund	O E	26,822.61	27.41	13.37	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10	Sundaram BNP Paribas SMILE Fund	O E	17,874.69	17.07	12.84	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11	Sundaram BNP Paribas Rural India Fund	O E	80,998.97	9.72	10.66	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12	Sundaram BNP Paribas Tax Saver Fund	O E	17,265.12	26.16	12.45	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
13	Sundaram BNP Paribas Tax Saver 98	C E	97.36	65.79	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Total of Equity AUM		538,740.37																	

For and on behalf of the Board
D.N. Ghosh
Chairman

Chennai
May 15, 2007

Sl. No	Name of the Schemes	Sch Type	(AUM Rs. in Lakhs)	NAV Per Unit																
				Growth	Dividend	Daily Div	Weekly Div	Fortnightly Div	Monthly Div	Quarterly Div	Half Yearly Div	Annual Div	Bonus Option							
	Debt Schemes																			
	Sundaram BNP Paribas Select Debt - Combined Asset Plan	O E	40.27	13.06	-	-	-	-	-	-	-	10.17	10.36	10.37	-					
14	Sundaram BNP Paribas Select Debt - Short Term Asset Plan	O E	729.84	13.11	-	-	11.08	10.71	10.64	10.39	10.65	10.66	10.65	10.66	-					
15	Sundaram BNP Paribas Floating Rate Fund - Long Term Plan	O E	688.09	11.31	-	-	-	-	10.29	10.24	10.49	10.49	10.49	10.49	-					
16	Sundaram BNP Paribas Floating Rate Fund - short Term Plan	O E	10,708.95	11.48	-	-	-	-	-	-	-	-	-	-	-					
17	Sundaram BNP Paribas Gilt Fund	O E	170.96	13.49	10.29	-	-	-	-	-	-	-	-	-	-					
18	Sundaram BNP Paribas Money Fund	O E	60,051.37	15.71	-	10.10	10.35	10.22	10.14	-	-	-	-	-	-					
19	Sundaram BNP Paribas Income Plus	O E	656.30	12.87	10.60	-	-	-	-	-	-	-	-	-	-					
20	Sundaram BNP Paribas Monthly Income Plan	O E	4,409.98	12.58	-	-	-	-	9.97	10.29	10.55	10.55	10.55	10.55	-					
21	Sundaram BNP Paribas Value Plus	C E	325.62	-	10.83	-	-	-	-	-	-	-	-	-	-					
22	Sundaram BNP Paribas Bond Saver	O E	6,358.51	22.79	-	-	-	-	-	10.22	10.47	10.47	10.47	10.47	12.00					
23	Sundaram BNP Paribas Fixed Term Plan - Series 03	C E	2,596.82	10.90	10.90	-	-	-	-	-	-	-	-	-	-					
24	Sundaram BNP Paribas Fixed Term Plan - Series 07	C E	1,527.05	10.60	10.60	-	-	-	-	-	-	-	-	-	-					
25	Sundaram BNP Paribas Fixed Term Plan - Series 16	C E	11,957.68	10.05	10.01	-	-	-	-	-	-	-	-	-	-					
26	Sundaram BNP Paribas Fixed Term Plan - Series 18	C E	6,974.21	10.06	10.06	-	-	-	-	-	-	-	-	-	-					
27	Sundaram BNP Paribas Fixed Term Plan - Series 19	C E	9,174.52	10.04	10.04	-	-	-	-	-	-	-	-	-	-					
28	Sundaram BNP Paribas Fixed Term Plan - Series 20	C E	5,083.99	10.05	10.05	-	-	-	-	-	-	-	-	-	-					
29	Sundaram BNP Paribas Fixed Term Plan - Series 21	C E	7,162.78	10.19	10.19	-	-	-	-	-	-	-	-	-	-					
30	Sundaram BNP Paribas Fixed Term Plan - Series 22	C E	28,707.39	10.05	10.05	-	-	-	-	-	-	-	-	-	-					
31	Sundaram BNP Paribas Fixed Term Plan - Series 23	C E	28,122.65	10.12	10.01	-	-	-	-	-	-	-	-	-	-					
32	Sundaram BNP Paribas Fixed Term Plan - Series 25	C E	19,873.80	10.09	10.01	-	-	-	-	-	-	-	-	-	-					
	Total AUM		205,320.78																	
			744,061.15																	

OE - Open Ended
CE - Close Ended

Auditors' Report

TO THE MEMBERS OF M/S. SUNDARAM BNP PARIBAS ASSET MANAGEMENT COMPANY LIMITED

1. We have audited the attached Balance Sheet of Sundaram BNP Paribas Asset Management Company 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 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 annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in 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 purpose 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 directors 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 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.

Place: Chennai
Date: 15th May, 2007

For BRAHMAYYA & CO.,
Chartered Accountants
PBABU
Partner
Membership No.203358

ANNEXURE TO THE AUDITORS' REPORT REFERRED TO IN PARAGRAPH 3 OF OUR REPORT OF EVEN DATE,

1. a) The company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets. of any party during the year have, prima facie, been made at prices which are reasonable having regard to the nature of services and the prevailing market prices at the relevant time.
- b) Fixed assets have been physically verified by the management during the year in accordance with a phased plan of verification, which in our opinion is reasonable having regards to the size of the company and the nature of fixed assets. The discrepancies noticed on such verification were not material and have been properly dealt with in the books of account.
- c) There was no substantial disposal of fixed assets during the year.
2. 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 (iiia) to (iiid) of paragraph 4 of the Order are not applicable to the company for the year.
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. 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. 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 Act that need to be entered into the register maintained under Section 301 of the Act have been so entered.
- b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements entered in the register maintained under Section 301 of the Act and exceeding the value of rupees five lakh in respect
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 Act.
8. According to the records of the company and the information and explanations given to us, undisputed statutory dues, including provident Fund, Employees State Insurance, Income tax, Wealth tax, Service tax and other material statutory dues have been regularly deposited during the year with the appropriate authorities. According to the information and explanations given to us, there are no arrears of statutory dues which are outstanding as at 31st March, 2007 for a period of six months from the date they became payable.

The Central Government has 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.
9. According to the records of the company and the information and explanations given to us, there are no dues of Provident Fund, Employees State Insurance, Income tax, Wealth tax and Service tax, which have been deposited on account of any dispute.
10. The company does not have accumulated losses at the end of financial year and has not incurred cash losses during the current and immediately preceding financial year.
11. The company does not have any borrowing from financial institutions, banks or on issue of debentures.
12. According to the information and explanations given to us, the company has not granted loans or advances on the basis of security by way of pledge of shares, debentures and other securities

13. The company is not a chit fund / nidhi / mutual benefit fund / society.
14. Based on our examination of records and information and explanations given to us, proper records have been maintained of transactions and contracts relating to dealing in shares, securities, debentures and other investments and timely entries have been made therein. The securities and other investments have been held by the company in its own name.
15. In our opinion and according to the information and explanations given to us, the company has not given any guarantees for loans taken by others from banks or financial institutions.
16. The company has not availed any term loan during the year.
17. According to the information and explanations given to us, the company has not raised funds on short term or long term basis during the year.
18. The company not issued debentures during the year.
19. The company has not raised monies by public issue during the year.
20. 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.
21. In our opinion and according to the information and explanations given to us, the nature of company's business / activities during the year have been such that clauses (ii) and (xiii) and (xviii) of paragraph 4 of Companies (Auditors' Report) Order, 2003 are not applicable to the company for the year.

Place: Chennai
Date: 15th May, 2007

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

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 15,33,32,290	15,33,32,290
(b) Reserves and Surplus	2 7,42,21,091	4,75,68,838
	<u>22,75,53,381</u>	<u>20,09,01,128</u>
2. Deferred Tax Liability (net)		
Deferred Tax Liability	2,10,08,267	13,39,464
Less: Deferred Tax Asset	38,37,974	10,70,270
	<u>1,71,70,293</u>	<u>2,69,194</u>
3. Loan Funds		
a) Secured Loans	-	-
b) Unsecured Loans	-	-
Total	<u>24,47,23,674</u>	<u>20,11,70,322</u>
II. APPLICATIONS OF FUNDS		
1. Fixed Assets		
(a) Gross Block	3 5,82,76,187	4,14,37,797
(b) Less: Depreciation	3,09,97,265	2,28,10,051
(c) Net Block	2,72,78,922	1,86,27,746
2. Investments		
	4 8,26,09,990	5,27,30,565
3. Current Assets, Loans and Advances		
(a) Current Assets	5 4,50,86,576	3,78,92,524
(b) Loans and Advances	6 19,11,80,763	12,65,08,870
	(A) <u>23,62,67,339</u>	<u>16,44,01,394</u>
Less: Current Liabilities and Provisions		
(a) Current Liabilities	7 7,45,23,910	3,45,89,383
(b) Provisions	8 2,69,08,667	-
	(B) <u>10,14,32,577</u>	<u>3,45,89,383</u>
Net Current Assets	(A-B) 13,48,34,762	12,98,12,011
Total	<u>24,47,23,674</u>	<u>20,11,70,322</u>
Notes to the accounts	14	

As per our report of even date attached

D N Ghosh

Chairman

T P Raman

Managing Director

As per our report of even date attached

For **Brahmayya & Co.,**

Chartered Accountants

P Babu

Partner

Membership No. 203358

Chennai

15th May 2007

S Krishnamurthy

Director

T N Anantharam Iyer

Director

T T Srinivasaraghavan

Director

Ashoke Bijapurkar

Director

Banikanta Mishra

Director

P Sundararajan

Company Secretary

Profit and Loss Account

for the year ended 31st March, 2007

	Schedule	01-04-06 to 31-03-07 Rs.	01.04.05 to 31.03.06 Rs.
<u>INCOME</u>			
Income from operations	9	46,78,83,930	19,17,38,473
Other Income	10	1,46,51,297	1,17,92,679
Total	(A)	<u>48,25,35,227</u>	<u>20,35,31,152</u>
<u>EXPENDITURE</u>			
Establishment expenses	11	14,51,74,063	8,63,79,607
Administrative and other expenses	12	10,17,05,607	6,71,33,212
Scheme expenses borne by the company	13	13,87,28,632	2,37,60,741
Preliminary expenses written off		-	19,627
Total	(B)	<u>38,56,08,302</u>	<u>17,72,93,187</u>
Profit before depreciation and tax	(A-B)	9,69,26,925	2,62,37,965
Less: Depreciation		83,28,785	60,39,923
Profit before taxation		8,85,98,140	2,01,98,042
<u>TAXATION</u>			
Current Tax		91,00,000	-
Deferred Tax		1,88,58,987	90,252
Wealth Tax		5650	-
Fringe Benefit Tax		30,94,000	26,63,708
Profit after Tax		5,75,39,503	1,74,44,082
Less: Prior-Period expenses		-	1,52,00,000
Provision for income tax relating to earlier year		1,19,810	2,81,269
Profit after Tax and Prior Period Items		5,74,19,693	19,62,813
Balance of profit brought forward from the previous year	62,11,787		
Less : Adjustment made in accordance with the Transitional Provisions of Accounting Standard 15 on Employee Benefits	38,58,773	23,53,014	42,48,974
Amount available for Appropriation		<u>5,97,72,707</u>	<u>62,11,787</u>
<u>APPROPRIATIONS</u>			
Dividend			
- Final (Proposed)		2,29,99,844	-
- Dividend Distribution Tax		39,08,823	-
- General Reserve		59,00,000	-
Surplus - Balance carried to Balance Sheet		2,69,64,040	-
		<u>5,97,72,707</u>	<u>-</u>
<u>EARNINGS PER EQUITY SHARE</u>			
Number of Shares		1,53,33,229	1,50,00,913
Earnings per Equity Share		3.75	0.13
Notes to the accounts	14		

As per our report of even date attached

D N Ghosh

Chairman

T P Raman

Managing Director

As per our report of even date attached

For **Brahmayya & Co.,**

Chartered Accountants

P Babu

Partner

Membership No. 203358

Chennai

15th May 2007

S Krishnamurthy

Director

T N Anantharam Iyer

Director

T T Srinivasaraghavan

Director

Ashoke Bijapurkar

Director

Banikanta Mishra

Director

P Sundararajan

Company Secretary

SCHEDULES

	31.03.07	31.03.06
	Rs.	Rs.
1. SHARE CAPITAL		
Authorised		
2,00,00,000 Equity Shares of Rs 10/- each	20,00,00,000	20,00,00,000
5,00,000 Redeemable Preference Shares of Rs.100/- each	5,00,00,000	5,00,00,000
	<u>25,00,00,000</u>	<u>25,00,00,000</u>
Issued, Subscribed and fully paid up		
1,53,33,229 Equity Shares of Rs 10/- each	15,33,32,290	15,33,32,290
76,81,948 equity shares (previous year 76,81,948 shares) are held by Sundaram Finance Ltd., the Holding Company and its nominees.		
	<u>15,33,32,290</u>	<u>15,33,32,290</u>
2. RESERVES AND SURPLUS		
Securities premium account	4,13,57,051	4,13,57,051
General Reserve		
As per last Balance Sheet	-	-
Add: Transfer from Profit and Loss Account	59,00,000	-
Surplus - Balance in Profit and Loss Account	<u>2,69,64,040</u>	<u>62,11,787</u>
	<u>7,42,21,091</u>	<u>4,75,68,838</u>

3. Fixed Assets

(In Rupees)

Description	GROSS BLOCK AT COST			DEPRECIATION			NET BLOCK			
	As at 01-04-2006	Additions	Deductions	As at 31-03-2007	Upto 31-03-2006	Additions	Deductions	Upto 31-03-2007	As at 31-03-2007	As at 31-03-2006
Office Equipments	64,23,467 (56,58,454)	24,77,640 (7,97,913)	2,18,025 (32,900)	86,83,082 (64,23,467)	26,13,263 (19,21,024)	9,57,414 (7,17,920)	1,37,329 (25,681)	34,33,348 (26,13,263)	52,49,734 (38,10,204)	38,10,204 (37,37,430)
Electrical Equipments	32,31,157 (23,80,770)	6,63,675 (8,50,387)	-	38,94,832 (32,31,157)	15,69,920 (13,96,887)	2,84,911 (1,73,033)	-	18,54,831 (15,69,920)	20,40,001 (16,61,237)	16,61,237 (9,83,883)
Computers	1,42,92,123 (1,22,42,567)	90,93,506 (23,82,372)	-	2,33,85,629 (1,42,92,123)	97,51,072 (78,78,983)	33,21,778 (21,78,955)	-	1,30,72,850 (97,51,072)	1,03,12,779 (45,41,051)	45,41,051 (43,63,584)
Furniture and fixtures	1,03,69,983 (95,13,783)	8,35,038 (8,56,200)	4,243	1,12,00,778 (1,03,69,983)	60,23,422 (48,69,352)	10,87,997 (11,54,070)	4,242	71,07,177 (60,23,422)	40,93,601 (43,46,561)	43,46,561 (46,44,431)
Vehicles	16,30,366 (9,37,517)	14,47,134 (7,33,091)	-	30,77,500 (16,30,366)	6,23,854 (3,73,111)	3,88,624 (2,85,294)	-	10,12,478 (6,23,854)	20,65,022 (10,06,512)	10,06,512 (5,64,406)
Improvement to Rented premises	19,61,421	14,56,381 (19,61,421)	-	34,17,802 (19,61,421)	3,54,224	9,61,127 (3,54,224)	-	13,15,351 (3,54,224)	21,02,451 (16,07,197)	16,07,197
Intangible Assets										
Computer Software	35,29,280 (35,29,280)	10,87,284	-	46,16,564 (35,29,280)	18,74,296 (6,97,869)	13,26,934 (11,76,427)	-	32,01,230 (18,74,296)	14,15,334 (16,54,984)	16,54,984 (28,31,411)
Total	4,14,37,797	1,70,60,658	2,22,268	5,82,76,187	2,28,10,051	83,28,785	1,41,571	3,09,97,265	2,72,78,922	1,86,27,746
Previous year 31.03.2006	3,42,62,371	75,81,384	4,05,958	4,14,37,797	1,71,37,226	60,39,923	3,67,098	2,28,10,051	1,86,27,746	1,71,25,145

SCHEDULES

	Face Value Rs.	31.03.07 Rs.	31.03.06 Rs.
4. INVESTMENTS			
I. Long Term Investments			
At Cost - Fully paid up			
Unquoted			
A. In Trust Securities:			
In Mutual Funds			
Units of Sundaram BNP Paribas BNP Paribas India Leadership fund - 3,81,484 units under dividend option	38,14,840	50,00,000	50,00,000
Units of Sundaram BNP Paribas BNP Paribas Balanced Fund - 778330 units under dividend option (op. balance of 931989 units , 153659 units were sold under the dividend option during the year)	77,83,300	1,26,08,394	1,50,00,000
Units of Sundaram BNP Paribas BNP Paribas Growth Fund - 3,23,143 units under dividend option	32,31,430	50,00,000	50,00,000
Units of Sundaram BNP Paribas Select focus - 1,92,237 units under dividend option	19,22,370	25,00,000	25,00,000
Units of Sundaram BNP Paribas Midcap - 257659 units under dividend option (Op. balance of 165913 units, 39,718 units were redeemed during the year and 131464 units were purchased during the year)	25,76,590	50,00,000	30,00,000
Units of Hdfc Top 200 Fund - 67,599 units under Dividend plan (11703 units were redeemed during the year)	6,75,990	25,00,000	27,00,000
Units of Hdfc Capital Builder Fund - 91,535 units under dividend option	9,15,350	25,00,000	25,00,000
Units of Franklin Templeton Mutual Fund - Nil units (13012 units were redeemed during the year under Bluechip Fund Dividend payout plan)	-	-	2,00,000
Units of Sundaram BNP Paribas Capex Fund - 1,00,000 units under Dividend payout plan	10,00,000	10,00,000	10,00,000
Sub-total(A)		3,61,08,394	3,69,00,000
B. In Bonds :			
10, Series II 14.30% Unsecured Redeemable Non Convertible subordinated Bonds of Rs.1,00,000 each in Bank of Baroda	10,00,000	10,00,000	10,00,000
Sub-Total(B)		10,00,000	10,00,000

	Face Value Rs.	31.03.07 Rs.	31.03.06 Rs.
II Current Investments			
In Trust Securities - In Mutual Funds			
Units of Sundaram BNP Paribas Fixed Term Plan	4,35,00,000	4,35,00,000	-
Units of Sundaram BNP Paribas Money Fund 198250 units under Inst.Daily Dividend Reinvestment plan (Opening balance of 1416656 units, 32341783 units were purchased, 60613 units reinvested and 33620802 units were redeemed during the year)	19,82,500	20,01,596	1,43,01,567
Units of Sundaram BNP Paribas Money Fund Nil units under Weekly Dividend Reinvestment Option (Opening balance of 52181 Units of Sundaram BNP Paribas Money Fund Weekly Dividend Reinvestment Option, 772 units reinvested and 52953 units were redeemed during the year)	-	-	5,28,998
Units of Sundaram BNP Paribas Money Fund Nil units under Daily Dividend Reinvestment plan (198112 Units of Sundaram BNP Paribas Money Fund Dividend Reinvestment Option purchased , 137 units reinvested and 198249 units were redeemed during the year)	-	-	-
Total (II)		<u>4,55,01,596</u>	<u>1,48,30,565</u>
Grand Total (I) + (II)		<u>8,26,09,990</u>	<u>5,27,30,565</u>
Summary of Investments			
I. Long Term Investments			
Unquoted			
In Bonds		10,00,000	10,00,000
In Trust Securities		3,61,08,394	3,69,00,000
II. Current Investments			
Trust Securities		4,55,01,596	1,48,30,565
GRAND TOTAL		<u>8,26,09,990</u>	<u>5,27,30,565</u>

	Cost Rs.	Market Value * Rs.
Aggregate of unquoted Investments - Long Term		
In Bonds	10,00,000	10,00,000
Aggregate of unquoted Investments - Long Term		
In Trust Securities	3,61,08,394	3,33,56,000
Aggregate of unquoted Investments - Current		
In Trust Securities	4,55,01,596	4,60,35,000
Total	<u>8,26,09,990</u>	

* Cost has been considered wherever market value is not available.

		31.03.07		31.03.06
	Rs.	Rs.		Rs.
5. CURRENT ASSETS				
Interest accrued on Investments		9,56,041		4,39,801
Cash and Bank Balances With Scheduled Banks in Current Accounts	38,76,265			23,10,921
Fixed Deposits	4,00,00,000			3,50,00,000
Cash on Hand	2,54,270	4,41,30,535		1,41,802
		<u>4,50,86,576</u>		<u>3,78,92,524</u>
6. LOANS AND ADVANCES				
Unsecured unless otherwise stated Considered Good				
Advances and Deposits recoverable in cash or kind				
Inter Corporate Deposits		-		1,81,00,000
Other Advances		9,72,01,561		5,21,29,280
Loans to Staff		27,14,468		17,62,223
Advance Tax	27,00,000			
Tax Deducted at Source	5,96,20,325		3,08,09,160	
Less : Provision for Taxation	1,17,05,230	5,06,15,095	28,81,269	2,79,27,891
Income Receivable		4,06,49,639		2,65,89,476
		<u>19,11,80,763</u>		<u>12,65,08,870</u>
7. CURRENT LIABILITIES				
Sundry Creditors				
For expenses		5,30,84,168		2,63,61,403
For others		2,14,39,742		82,27,980
		<u>7,45,23,910</u>		<u>3,45,89,383</u>
8. PROVISIONS				
Divident				
- Final (Proposed)		2,29,99,844		-
- Dividend Distribution Tax		39,08,823		-
		<u>2,69,08,667</u>		<u>-</u>

9. INCOME FROM OPERATIONS

	01.04.2006 31.03.2007	01.04.05 31.03.2006
Investment Management Fees	44,41,24,099	19,03,72,618
[Tax Deducted at Source Rs. 2,79,64,999/-]		
Advisory Fees	2,37,59,831	13,65,855
	46,78,83,930	19,17,38,473

10. OTHER INCOME

Interest receipts	45,88,045	26,89,513
[Tax deducted at source Rs.8,34,077 /-]		
Dividend Income	83,77,255	70,04,014
Profit on sale of Investments	7,51,730	83,683
Profit on Sale of Assets	10,232	4,804
Provision no longer required	176,282	18,30,230
Miscellaneous income	747,753	1,80,435
	1,46,51,297	1,17,92,679

11. ESTABLISHMENT EXPENSES

Salaries and allowances	12,80,78,139	7,45,81,078
Company's contribution to P.F and ESI	55,98,476	35,80,611
Staff welfare expenses	47,33,687	27,25,749
Ex-gratia	48,04,550	42,75,170
Gratuity	19,59,211	12,16,999
	14,51,74,063	8,63,79,607

12. ADMINISTRATIVE AND OTHER EXPENSES

	01.04.06 to 31.03.07	01.04.05 to 31.03.06
	Rs.	Rs.
Rent	2,18,95,289	1,49,24,680
Rates and Taxes	173,351	3,42,815
Communication Expenses	1,10,09,986	65,22,633
Subscription	35,80,770	29,80,799
Printing and Stationery	59,76,156	29,79,583
Electricity charges	36,11,364	26,14,769
Travelling and conveyance	1,58,40,419	1,09,75,575
Directors' sitting fee	6,30,000	9,10,000
Insurance	10,67,019	7,11,164
Professional and Consultancy fees	14,57,298	11,04,861
Business Development Expenses	92,28,733	41,90,783
Repairs and Maintenance		
- Building	34,73,548	37,92,998
- Others	38,74,406	39,88,720
Software charges	19,88,839	5,04,154
Database and Networking Expenses	50,32,190	49,23,298
Meeting Expenses	32,71,447	5,21,217
Loss on exchange fluctuations	1,89,644	
Miscellaneous expenses	93,56,959	51,23,096
Loss on sale of assets	48,189	22,067
	10,17,05,607	6,71,33,212

13. SCHEME EXPENSES BORNE BY THE COMPANY

Upfront Brokerage and Other Marketing Expenses	13,87,28,632	2,37,60,741
	13,87,28,632	2,37,60,741

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 applicable Accounting Standards issued by the Institute of Chartered Accountants of India (ICAI).

1.2 Income Recognition:

Investment Management and Advisory Fee 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 the Written Down Value Method at rates prescribed in Schedule XIV to the Companies Act, 1956. Assets costing Rs.5000 or less acquired during the year are written down to Re.1.

Expenditure incurred towards renovation, interior decoration etc. in respect of leased office premises is capitalised under "Improvement to rented premises" and amortised over the primary lease period.

1.4 Valuation of Investments:

Long Term investments are carried at cost and 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.

1.5 Transactions in Foreign Currency:

Transactions in foreign currency are accounted for at the rates prevailing on the date of the transaction. Exchange differences resulting in income or expense are dealt with in the profit and loss account.

1.6 Retirement Benefits:

Contribution to Provident and Pension Funds, which are defined contribution schemes, are charged to the Profit and Loss account on accrual basis.

Liability for gratuity, which is a defined benefit, is provided based on actuarial valuation at the balance sheet date and charged to the Profit and Loss account. The company makes contribution towards gratuity into the approved gratuity fund administered by the Life Insurance corporation of India.

Liability for leave encashment, which is a defined benefit, is provided on the basis of actual cost and is charged to the Profit and Loss account on an accrual basis.

1.7 Taxation:

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

1.8 Intangible Assets:

Computer Software acquired is recorded as an intangible asset and the cost is amortised over the expected useful life.

1.9 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 amount recoverable is higher of the net selling price of assets and their value in use.

Notes on Accounts continued:

1.10 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 Advance Income tax and Tax Deducted at Source is net of Provision for Tax of

Rs.1,17,05,230 (Previous Year 28,81,269)

2.2 Current Liabilities:

Sundry Creditors for expenses include Rs. 15,18,000/- (31.03.2006 – Rs. 7,80,000/-) payable to Managing Director.

3. PROFIT AND LOSS ACCOUNT:

3.1 Profit / Loss on sale of investments comprise of:

	(In Rupees)			
	2006 – 2007		2005 – 2006	
	Profit	Loss	Profit	Loss
Long Term Investments	730,130	NIL	82,499	NIL
Current Investments	21,600	NIL	1,184	NIL
TOTAL	7,51,730	NIL	83,683	NIL

3.2 Establishment expenses include remuneration to the Managing Director as follows:

Particulars	(In Rupees)	
	2006 – 2007	2005 – 2006
Salary and Allowance	36,30,000	27,00,000
Contribution to Provident Fund and Gratuity	2,21,862	2,01,692
Other Allowances and Perquisites	1,52,369	1,55,589
TOTAL	40,04,231	30,57,281

3.3 Miscellaneous expenses under “Administrative and other expenses” include remuneration to Auditors towards:

	(In Rupees)	
	2006- 2007	2005 – 2006
Statutory Audit	125,000	125,000
Tax Audit	50,000	50,000
Certification	72,000	22,500
Service Tax	30,530	24,175

Notes on Accounts continued:

4. GENERAL

4.1 The Company has identified Asset Management and Investment Advisory Service as the only business segment.

4.2 In accordance with the Accounting Standard AS – 22 “Accounting for taxes on Income” – issued by ICAI, the details of Deferred Tax liabilities and Assets arising on account of timing differences are as follows:

	(In Rupees)		
	Balance as on 01.04.2006	Additions	Balance as on 31.03.2007
<u>Deferred Tax Liability:</u>			
Depreciation	13,39,464	3,06,581	16,46,045
Brokerage amortisation	-	1,93,62,222	1,93,62,222
Total	13,39,464	1,96,68,803	2,10,08,267
<u>Deferred Tax Asset:</u>			
Employee Benefits	10,70,270	8,09,816	* 38,37,974
Net Deferred Tax Liability	2,69,194	1,88,58,987	1,71,70,293

* Includes Rs. 19,57,888/- Deferred Tax Asset created on Employee Benefits accrued upto 31st March 2006.

Notes on Accounts continued:

4.3 The details of transactions with related parties are given below

(In Rupees)

Particulars	Joint Ventures Promoters	Fellow Subsidiaries / Associates	Key Management Personnel	Total
INCOME				
Investment Management and Advisory Fees	46,78,83,930 (19,17,38,473)	-	-	46,78,83,930 (19,17,38,473)
Claims Received		43,550 (Nil)	-	43,550 (Nil)
Service Income		4,80,000 (Nil)	-	4,80,000 (Nil)
EXPENSES				
Rent and Office maintenance	1,13,92,620 (83,42,832)	72000 (Nil)	-	1,14,64,620 (83,42,832)
Provident Fund administration charges	7,200 (9,600)		-	7,200 (9,600)
Maintenance of website	3,78,324 (2,95,781)		-	3,78,324 (2,95,781)
Internal, Concurrent Audit Fees	4,27,087 (294,832)		-	4,27,087 (294,832)
Database, connectivity and other technical charges	75,44,903 (57,48,745)	15,09,438 (4,30,000)	-	90,54,341 (61,78,745)
Insurance Premium		9,76,347 (6,51,933)	-	9,76,347 (6,51,933)
Remuneration	4,74,880 (Nil)	40,04,231 (30,57,281)		44,79,111 (30,57,281)
ASSETS				
Investment in trust securities		38,76,30,596 (17,13,46,000)		38,76,30,596 (17,13,46,000)
Disinvestment in trust securities		35,77,50,606 (15,58,26,000)		35,77,50,606 (15,58,26,000)
Investment in trust securities at the end of the year		7,65,00,000 (4,63,31,000)		7,65,00,000 (4,63,31,000)
Investment management fees receivable	71,95,180 (15,05,172)	3,34,54,458 (2,50,84,304)		3,34,54,458 (2,65,89,476)
LIABILITIES				
Other payables	384,042 (Nil)	3,000 (Nil)		
Share Capital	- (33,32,290)	-		-
Securities Premium	- (4,13,57,051)	-		-
Final Dividend (Proposed)	2,29,99,844 (Nil)			

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

Figures in brackets relates to previous year.

Notes on Accounts continued:

Related Party Disclosures: In accordance with the Accounting Standard AS – 18 on “Related party Disclosures” issued by ICAI.

RELATED PARTIES.

JOINT VENTURE PROMOTERS

		Sundaram Finance Limited
		BNP Paribas Asset Management, France.
Fellow Subsidiaries	:	Sundaram Home Finance Limited.
		Sundaram BNP Paribas Trustee Company Limited.
		Royal Sundaram Alliance Insurance Company Limited (till 23.11.2006).
		LGF Services Limited.
		Sundaram Finance Distribution Limited.
		Sundaram Infotech Solutions Limited.
		Sundaram Business Services Limited.
		Infreight Logistics Solutions Limited (from 24.11.2006)
Associate	:	Sundaram BNP Paribas Mutual Fund
Key Management Personnel	:	Mr T P Raman – Managing Director

4.4 Earnings per Share (Basic and diluted)

		2006-2007	2005-2006
1. Number of shares (nominal value of Rs.10/- each) (2005-06 weighted average number of equity shares)	(A)	1,53,33,229	1,50,00,913
2. Profit after tax, before prior period item – Rs.	(B)	5,74,19,693	1,74,44,083
3. Profit after tax, after prior period item – Rs.	(C)	-	19,62,814
4. Earnings per share (Basic and diluted) – Rs.			
(i) Before prior period item	(B)/(A)	3.75	1.16
(ii) After prior period item	(C)/(A)	-	0.14

4.5 The company does not owe any sum to a Small Scale Industrial undertaking (31-03-2006 – Nil).

4.6 Expenditure in foreign Currency (On Payment Basis): Travelling Expenses Rs. 7,61,505 /- (31-03-2006 - Rs. 6,48,883/-)

4.7 Earnings in Foreign in Currency – Advisory fees earned Rs.2,37,59,831/- (31-03-2006 – Rs. 13,65,855/-)

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

4.9 Figures have been rounded off to the nearest rupee.

Signatures to Schedule 1 to 14

D N Ghosh
Chairman

S Krishnamurthy
Director

T T Srinivasaraghavan
Director

Banikanta Mishra
Director

T P Raman
Managing Director

T N Anantharam Iyer
Director

Ashoke Bijapurkar
Director

P Sundararajan
Company Secretary

As per our report of even date attached
For **Brahmayya & Co.**,
Chartered Accountants

P Babu
Partner
Membership No. 203358

Chennai
15th May 2007

CASH FLOW STATEMENT

	2006-07		2005-06	
	Rs.	Rs.	Rs.	Rs.
A CASH FLOW FROM OPERATING ACTIVITIES				
Profit/(Loss) after tax	5,74,19,693		19,62,813	
Add: Profit on sale of assets	(10,232)		(4,804)	
Profit on sale of investments	(751,730)		(83,683)	
Loss on sale of assets	48,189		22,067	
Provision for tax relating to earlier year	-		281,269	
Depreciation	8,328,785		6,039,923	
Income Tax	9,100,000		-	
Wealth Tax	5,605		-	
Fringe Benefit Tax	396,006		-	
Preliminary expenses written off	-		19,627	
Deferred Tax	18,858,987		90,252	
Interest income	(4,588,045)		(2,689,513)	
Dividend Income	(8,377,255)		(7,004,014)	
Others - Adjustments in General Reserve (Towards AS 15)	(3,858,773)			
Operating profit (loss) before working capital changes		7,65,71,230		(1,366,063)
- (Increase) / Decrease in Current assets	(516,240)		(210,816)	
- (Increase) / Decrease in Loans and advances	(64,671,895)		(38,384,407)	
- Increase / (Decrease) in Current Liabilities	28,475,030		6,537,747	
Cash generated from Operations		(36,713,105)		(32,057,476)
NET CASH USED IN OPERATING ACTIVITIES (A)		3,98,58,125		(33,423,539)
B CASH FLOW FROM INVESTING ACTIVITIES				
- Purchase of investments				
- Sale of investments	(29,879,425)		(13,925,875)	
- Purchase of fixed assets	(17,060,658)		(7,581,384)	
- Sale of fixed assets	42,740		21,600	
- Profit on Sale of Investments	-		83,683	
- Loss on Sale of Investments	7,51,730			
- Dividend income	83,77,255		70,04,014	
- Interest income	45,88,045		26,89,513	
NET CASH USED IN INVESTING ACTIVITIES (B)		(33,180,313)		(11,708,449)
C CASH FLOW FROM FINANCING ACTIVITIES				
- Increase in Share Capital			3,332,290	
- Increase in Securities Premium			41,357,051	
NET CASH FROM FINANCING ACTIVITIES (C)				44,689,341
Net Increase / (Decrease) in Cash & Cash Equivalents (A)+(B)+(C)		66,77,812		(442,648)
Cash and Cash Equivalents at the beginning of the Year		3,74,52,723		3,78,95,370
Cash and Cash Equivalents at the end of the Year		4,41,30,535		3,74,52,723

Note : Cash & Cash Equivalents comprise the following :

a. Cash on hand	2,54,270
b. Balances with Banks in Current accounts	38,76,265
c. Fixed Deposits	4,00,00,000
Total	4,41,30,535

D N Ghosh

Chairman

T P Raman

Managing Director

As per our report of even date attached

For **Brahmayya & Co.,**

Chartered Accountants

P Babu

Partner

Membership No. 203358

Chennai

15th May 2007

S Krishnamurthy

Director

T N Anantharam Iyer

Director

T T Srinivasaraghavan

Director

Ashoke Bijapurkar

Director

Banikanta Mishra

Director

P Sundararajan

Company Secretary

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.

U	9	3	0	9	0	T	N	1	9	9	6	P	L	C	0	3	4	6	1	5
---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---

 State Code

1	8
---	---

 Balance Sheet Date

3	1
---	---

 /

0	3
---	---

 /

2	0	0	7
---	---	---	---

 Date Month Year

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

Public Issue	Rights Issue																				
<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></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></tr></table>					N	I	L			
				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></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></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>4</td><td>4</td><td>7</td><td>2</td><td>3</td></tr></table>					2	4	4	7	2	3	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>4</td><td>4</td><td>7</td><td>2</td><td>3</td></tr></table>					2	4	4	7	2	3								
				2	4	4	7	2	3																						
				2	4	4	7	2	3																						
	Paidup Capital	Unsecured Loans	Investments																												
	<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>3</td><td>3</td><td>3</td><td>2</td></tr></table>					1	5	3	3	3	2	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td> </td><td> </td><td> </td><td>1</td><td>7</td><td>1</td><td>7</td><td>0</td></tr></table>					1	7	1	7	0	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td> </td><td> </td><td> </td><td>8</td><td>2</td><td>6</td><td>1</td><td>0</td></tr></table>					8	2	6	1	0
				1	5	3	3	3	2																						
				1	7	1	7	0																							
				8	2	6	1	0																							
Application of Funds	Secured Loans	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></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> </td><td> </td><td> </td><td> </td><td> </td><td> </td></tr></table>																			
				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>2</td><td>7</td><td>2</td><td>7</td><td>9</td></tr></table>					2	7	2	7	9																					
				2	7	2	7	9																							
	Net Current Assets																														
	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td> </td><td> </td><td> </td><td>1</td><td>3</td><td>4</td><td>8</td><td>3</td><td>4</td></tr></table>					1	3	4	8	3	4																				
				1	3	4	8	3	4																						
	Accumulated Losses																														
	<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></tr></table>					N	I	L																							
				N	I	L																									

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>4</td><td>8</td><td>2</td><td>5</td><td>3</td><td>5</td></tr></table>					4	8	2	5	3	5	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td> </td><td> </td><td> </td><td>3</td><td>9</td><td>3</td><td>9</td><td>3</td><td>7</td></tr></table>					3	9	3	9	3	7
				4	8	2	5	3	5												
				3	9	3	9	3	7												
+ - 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>5</td><td>7</td><td>5</td><td>4</td><td>0</td></tr></table>					5	7	5	4	0	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td> </td><td> </td><td> </td><td>8</td><td>8</td><td>5</td><td>9</td><td>8</td></tr></table>					8	8	5	9	8		
				5	7	5	4	0													
				8	8	5	9	8													

(Please tick appropriate box + for profit, - for loss)

Earnings per Share Rs. Ps.	Dividend Rate %																		
<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td> </td><td> </td><td> </td><td>3</td><td>.</td><td>7</td><td>5</td></tr></table>					3	.	7	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>5</td></tr></table>									1	5
				3	.	7	5												
								1	5										

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

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

I	N	V	E	S	T	M	E	N	T		
M	A	N	A	G	E	M	E	N	T		
A	N	D									
A	D	V	I	S	O	R	Y				
S	E	R	V	I	C	E	S				

