

SUNDARAM FINANCE DISTRIBUTION LIMITED

13th Annual Report 2006-07



Board of Directors

S Venkatesan

A N Raju

K Sankara Kumar

Bankers

State Bank of Travancore

ICICI Bank

Auditors

M/s. Brahmaya & Co., Chennai

Chartered Accountants

Registered Office

21, Patullos Road,

Chennai 600 002

SUNDARAM FINANCE DISTRIBUTION LIMITED

A wholly-owned subsidiary of



SUNDARAM FINANCE LIMITED

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Directors' Report

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

FINANCIAL RESULTS

Particulars	(Rs. in Lakhs)	
	Year ended 31.03.2007	Year ended 31.03.2006
Profit after tax	79.70	100.30
Add: Surplus of Previous Year	55.91	112.61
Amount available for appropriation	135.61	212.91
Transfer to General Reserve	8.00	100.00
Dividend	32.50	50.00
Dividend Tax	4.56	7.01
Surplus carried to Balance Sheet	90.55	55.90

BUSINESS REVIEW

During the year under review, the total commission earned through distribution of insurance products of M/s. National Insurance Company Limited and M/s. SBI Life Insurance Company Limited is Rs.110.18 lakhs as against Rs. 136.10 lakhs in the previous year. Your Company earned an income of Rs.95.57 lakhs through distribution of various mutual fund/financial products as against Rs.80.19 lakhs in the previous year. The profit after tax for the year amounted to Rs.79.70 lakhs as against Rs.100.30 lakhs in the previous year.

DIVIDEND

Your company paid an interim dividend of 65% (Sixty Five percent) amounting to Rs.37.05 lakhs (inclusive of dividend tax) for the financial year 2006-07, on the paid-up capital of the company, consisting of 5,00,000 equity shares of Rs. 10/- each fully paid. Your Directors now propose that the interim dividend paid be treated as final dividend for the year.

DIRECTORS

Sri. K Sankara Kumar was co-opted as an Additional Director of your company on 28th August 2006. Under Section 260 of the Companies Act, 1956, he holds office upto the date of the ensuing Annual General Meeting. The company has received due notice from a member proposing his appointment as Director of the Company.

Sri G. C. Rangan, has relinquished the office of Directorship with effect from 30th August 2006. The Directors wish to place on record their appreciation for his services.

Sri. A N Raju, 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 re-appointment. 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 : 14th May 2007

S Venkatesan
A N Raju
K Sankara Kumar
Directors

Secretarial Compliance Certificate

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

To,

The Members

Sundaram Finance Distribution Limited

21, Patullos Road,

Chennai – 600 002.

I have examined the registers, records, books and papers of **SUNDARAM FINANCE DISTRIBUTION LIMITED** (the Company) as required to be maintained under the Companies Act, 1956, (the Act) and the rules made thereunder and also the provisions contained in the Memorandum and Articles of Association of the Company for the financial year ended on 31st March 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 financial year:

1. The Company has kept and maintained all registers as stated in Annexure 'A' to this certificate, as per the provisions and the rules made thereunder and all entries therein have been duly recorded.
2. The Company has filed the forms and returns as stated in Annexure 'B' to this certificate, with the Registrar of Companies, Regional Director, Central Government, Company Law Board or other authorities within the time prescribed under the Act and the rules made there under.
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, 3rd August 2006, 28th August 2006, 30th August 2006, 22nd November 2006, and 15th 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 Twelfth 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 was not required to make any entries in the register maintained under Section 301 of the Act.
11. As there were no instances falling within the purview of Section 314 of the Act, the Company has not obtained any approvals from the Board of directors, members or Central Government.
12. The Company has not issued any duplicate share certificates during the financial year ended 31st March 2007.
13. The Company:
 - (i) has not effected any allotment / transfer/ transmission of Securities during the financial year ended 31st March 2007.
 - (ii) has deposited the amount of interim dividend for the year 2006-07 in a separate bank account on 16.03.2007 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) There was no unpaid dividend and hence the question of transfer of dividend to unpaid dividend account does not arise. The Company has not issued fresh shares or debentures and has not

- accepted any deposits and hence, the question of transfer of application money due for refund, matured deposits, matured debentures and the interest accrued thereon which have remained unclaimed or unpaid for a period of seven years to Investor Education and Protection Fund does not arise.
- (v) has duly complied with the requirements of Section 217 of the Act.
14. The Board of Directors of the Company is duly constituted and the appointment to the Board has been duly made and registered.
 15. The Company has not appointed any Managing Director / Whole-time Director / Manager during the financial year under review.
 16. The Company has not appointed any sole selling agent during the financial year ended 31st March 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 financial 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 not issued any shares, debentures or other securities during the financial year ended 31st March 2007.
 20. The Company has not bought back any shares during the financial year and hence the question of complying with the buy back provisions does not arise.
 21. The Company has no preference share capital and has not issued debentures and hence the question of redemption of preference shares/ debentures during the financial year does not arise.
 22. There were no transactions necessitating the Company to keep in abeyance the rights to dividend, rights shares and bonus shares pending registration of transfer of shares.
 23. The Company has not invited / accepted any deposits including any unsecured loans falling within the purview of Section 58A during the financial year ended 31st March 2007.
 24. The Company has not made any borrowings during the financial year ended 31st March 2007.
 25. The Company has not made loans and investments or given guarantees or provided securities to other bodies corporate and consequently no entries have been made in the Register kept for the purpose.
 26. During the period under review, the Company has not altered the provisions of its Memorandum and its Articles of Association.
 27. There was no prosecution initiated against or show cause notices received by the Company and no fines or penalties or any other punishment was imposed on the Company during the financial year, for offences under the Act.
 28. The Company has not received any money as security from its employees during the financial year ended 31st March 2007.
 29. According to the information and explanations given to me, during the period under review, the provisions relating to contribution to Provident Fund did not apply to the company.
- Place: Chennai
Date: 19.04.2007
- MALINI SESHADRI, A.C.S.**
No. 5493 CP1323

Annexure A to Secretarial Compliance Certificate

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

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.	62	383A	Compliance Certificate issued by Ms Malini Seshadri, Practising Company Secretary, for the financial year ended 31st March 2006.
2.	Form 23AC	220	Balance Sheet for the financial year ended 31st March 2006.
3.	Form 20 B	159	Annual Return made upto 30th June 2006 (Date of AGM).
4.	32	303	Appointment of Shri. K Sankara Kumar as Director.
5.	32	303	Resignation of Shri. G C Rangan as Director.
6.	DIN 3	266D	Intimation of Director Identification Number

REGIONAL DIRECTOR

NIL

CENTRAL GOVERNMENT & OTHER AUTHORITIES

NIL

Chennai
Date: 19.04.2007

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

Auditors' Report

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

1. We have audited the attached Balance Sheet of Sundaram Finance Distribution 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 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

P.BABU

Partner

Membership No.203358

Chennai
14th May 2007

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

1. The company is maintaining proper records showing full particulars, including quantitative details and situation of fixed assets. Fixed assets have been physically verified by the management during the year, which in our opinion is reasonable having regard to the size of the company and the nature of fixed assets. No discrepancies noticed on such verification. There was no disposal of fixed assets during the year.
2. 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.
3. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the company and the nature of its business with regard to purchase of fixed assets and sale of services. During the course of our audit, no major weaknesses have been noticed in the internal controls and therefore the reporting of the same does not arise.
4.
 - a) In our opinion, and according to the information and explanations given to us, we are of the opinion that the particulars of contracts or arrangements referred to in Section 301 of the Act that need to be entered in the register maintained under that section have been so entered.
 - b) In our opinion, according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements entered in the registered maintained under Section 301 of the Act and exceeding the value of rupees five lakhs in respect of any party during the year, prima facie, have been made at prices which are reasonable having regard to the nature of the service and the prevailing market prices at the relevant time.
5. The company has not accepted deposits from public.
6. The company has an internal audit system, which in our opinion, is commensurate with the size and the nature of its business.
7. The Central Government has not prescribed the maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956.
8.
 - a) According to the records of the company, income tax 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.
9. 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.
The Central Government has not notified the rules pertaining to the quantum and means of payment of cess payable under section 441A of the Act and therefore, no remittance has been made.
10. The company does not have any accumulated losses at the end of the financial year and has not incurred cash loss during the current and immediately preceding financial year.
11. The company does not have any borrowing from financial institutions, banks or by issue of debentures.
12. According to the information and explanations given to us, the company has not:
 - a) granted loans or advances on the basis of security by way of pledge of shares, debentures and other securities.
 - b) given any guarantees for loan taken by others from banks or financial institutions.
 - c) availed any term loan during the year.
 - d) raised funds during the year.
 - e) issued any debentures.
 - f) raised monies by public issue during the year.
13. The company is not a chit fund / nidhi / mutual benefit fund or society.
14. Based on our examination of records and information and explanations given to us, proper records have been maintained of the transactions and contracts relating to dealing in securities and timely entries have been made therein. The shares and securities have been held by the company in its own name.
15. To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the company was noticed or reported during the year.
16. In our opinion and according to the information and explanations given to us, the nature of the company's business/ activities during the year have been such that clauses ii, xiii, and xviii of paragraph 4 of the Companies (Auditors Report) Order, 2003 are not applicable to the company.

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

Chennai
14th 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	50,00,000	50,00,000	
(b) Reserves and Surplus	2	1,98,55,053	1,55,90,649	2,05,90,649
2. Loan Funds				
(a) Secured Loans		-	-	
(b) Unsecured Loans		-	-	-
Total		<u>2,48,55,053</u>	<u>2,05,90,649</u>	
II APPLICATIONS OF FUNDS				
1. Fixed Assets				
(a) Gross Block	3	-	8,04,670	
(b) Less: Depreciation		-	7,89,562	15,108
(c) Net Block				
2. Investments				
	4	1,61,88,853		1,80,34,032
3. Deferred Tax Asset				
		-		12,605
4. Current Assets, Loans and Advances				
(a) Current Assets	5	8,67,469	11,59,700	
(b) Loans and Advances	6	82,85,279	96,62,266	
	(A)	<u>91,52,748</u>	<u>1,08,21,966</u>	
Less: Current Liabilities and Provisions				
(a) Current Liabilities	7	4,86,548	25,91,812	
(b) Provisions	8	-	57,01,250	
	(B)	<u>4,86,548</u>	<u>82,93,062</u>	
Net Current Assets	(A-B)	86,66,200		25,28,904
Total		<u>2,48,55,053</u>	<u>2,05,90,649</u>	
Notes to the Accounts	12			

As per our report of even date attached

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

P Babu
Partner

Chennai
14th May, 2007

S Venkatesan

A N Raju

K Sankar Kumar

Directors

Profit and Loss Account

for the year ended 31st March, 2007

	Schedule	2006-2007 Rs.	2005-2006 Rs.
<u>INCOME :</u>			
Income from Operations	9	2,05,74,951	2,20,51,276
Other Income	10	21,30,069	63,95,811
Total	(A)	<u>2,27,05,020</u>	<u>2,84,47,087</u>
<u>EXPENDITURE :</u>			
Administrative and other expenses	11	1,13,16,155	1,51,52,331
Depreciation		6,043	10,080
Total	(B)	<u>1,13,22,198</u>	<u>1,51,62,411</u>
Profit before Tax	(A-B)	<u>1,13,82,822</u>	<u>1,32,84,676</u>
Provision for Income tax			
- Current		34,00,000	24,76,900
- Deferred		12,605	7,77,366
Profit after Tax		<u>79,70,217</u>	<u>1,00,30,410</u>
Balance Brought Forward from the previous year		55,90,649	1,12,61,489
Amount available for Appropriation		<u>1,35,60,866</u>	<u>2,12,91,899</u>
<u>APPROPRIATIONS</u>			
Dividend			
- Interim		32,50,000	50,00,000
- Final (proposed)		-	-
- Dividend Distribution Tax		4,55,813	7,01,250
General Reserve		8,00,000	1,00,00,000
Surplus - Balance carried to Balance Sheet		90,55,053	55,90,649
		<u>1,35,60,866</u>	<u>2,12,91,899</u>
Notes to the Accounts	12		
Earnings per share (Basic and diluted):			
Weighted Equity shares used in computing EPS (Face Value of Rs.10 /- per share)		5,00,000	12,83,562
Basic Earnings per Share		15.94	7.81

As per our report of even date attached

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

P Babu
Partner

Chennai
14th May, 2007

S Venkatesan

A N Raju

K Sankar Kumar

Directors

SCHEDULES

	31.03.2007 (Rs.)		31.03.2006 (Rs.)
1. Capital			
Authorised			
30,00,000 Equity shares of Rs.10/- each	<u>3,00,00,000</u>		<u>3,00,00,000</u>
Issued, Subscribed and fully paid up 5,00,000 Equity Shares of Rs.10/- each (The entire shares are held by Sundaram Finance Ltd. and its nominees)	<u>50,00,000</u>		<u>50,00,000</u>
2. Reserves and Surplus			
General Reserve			
Per Last Balance Sheet	1,00,00,000		-
Add: Transfer from Profit and Loss Account	<u>8,00,000</u>	1,08,00,000	<u>1,00,00,000</u>
Surplus- Balance in Profit and Loss account		<u>90,55,053</u>	<u>55,90,649</u>
		<u>1,98,55,053</u>	<u>1,55,90,649</u>

3. Fixed Assets

(in Rs.)

DESCRIPTION	GROSS BLOCK AT COST			DEPRECIATION				NET BLOCK		
	As at 1.4.06	Additions	Deletions	As at 31.3.07	Upto 1.4.06	Depreciation for the year	Deductions	Upto 31.3.07	As at 31.3.07	As at 31.3.06
Office Equipment	8,04,670	-	8,04,670	-	7,89,562	6,043	7,95,605	-	-	15,108
Total	8,04,670	-	-	-	7,89,562	6,043	-	-	-	15,108
Previous Year	8,04,670	-	-	8,04,670	7,79,482	10,080	-	7,89,562	15,108	25,188

SCHEDULES

	Face Value (FV)	31.03.2007	(in Rs.) 31.03.2006
4. Investments			
Long Term - At cost			
I In Trust Securities			
Unquoted			
Birla Sun Life - Fixed Term Plan - Growth (5,00,000 units of Rs.10/- each redeemed during the year)		–	50,00,000
Sundaram BNP Paribas Fixed Term Plan - 16 Months (3,50,000 units of Rs.10/- each purchased during the year)	35,00,000	35,00,000	–
II In Equity shares			
Unquoted			
Credit Analysis and Research Ltd. (3,75,000 Equity Shares of Rs.10/- each)	37,50,000	37,50,000	37,50,000
UMW Industries Ltd. (78,000 Equity shares of Rs.10 each)		1,560	1,560
III In Bonds			
Unquoted			
5.65 % National Highways Authority of India Bonds	6,80,000	6,80,000	6,80,000
Current Investments - At Cost			
In Trust Securities			
Unquoted			
Standard Chartered Fixed Maturity Plan - 3 Months (1,00,000 units of Rs.10/- each purchased during the year)	10,00,000	10,00,000	–
TATA Fixed Horizon Fund - 3 Months (1,50,000 units of Rs.10/- each purchased during the year)	15,00,000	15,00,000	–
Sundaram BNP paribas Fixed Term Plan - 3 Months (2,50,000 units of Rs.10/- each purchased during the year)	25,00,000	25,00,000	–
Kotak Fixed Maturity Plan - 3 Months (2,00,000 units of Rs.10/- each purchased during the year)	20,00,000	20,00,000	–
Sundaram Money Fund Dividend Reinvest Daily (69,804 units of Rs.10/- each) (7,15,649 units purchased and 645845 units redeemed during the year)	6,98,040	7,04,700	–
Standard Chartered Liquidity Manager Plus - Weekly Dividend (552 units of Rs.1000/- each) (19,887 units purchased and 19335 units redeemed during the year)	5,52,000	5,52,593	–
Sundaram Money Fund Dividend Reinvest Monthly (Opening Balance - 8,49,131 Units redeemed during the year)		–	86,02,472
Total		1,61,88,853	1,80,34,032

SUMMARY OF INVESTMENTS	Rs.	
	31.03.2007	31.03.2006
I In Trust Securities		
Unquoted - Long Term	35,00,000	50,00,000
Unquoted - Current	82,57,293	86,02,472
II In Equity Shares		
Unquoted	37,51,560	37,51,560
III In Bonds		
Unquoted	6,80,000	6,80,000
Grand Total	1,61,88,853	1,80,34,032

SCHEDULES

	31.03.2007 Rs.	31.03.2006 Rs.
5. Current Assets		
Cash and Bank Balances with Scheduled Bank In		
- Current Account	8,67,469	1,59,700
- Deposit Account	-	10,00,000
	<u>8,67,469</u>	<u>11,59,700</u>
6. Loans and Advances		
Advance Income Tax and Tax deducted at source (net of provision for Income Tax)	20,00,502	22,40,072
Income Receivable	62,84,777	74,22,194
	<u>82,85,279</u>	<u>96,62,266</u>
7. Current Liabilities		
Sundry Creditors		
- Expenses	4,60,108	24,29,493
- Others	26,440	1,62,319
	<u>4,86,548</u>	<u>25,91,812</u>
8. Provisions		
Interim dividend	-	50,00,000
Dividend Distribution Tax	-	7,01,250
	<u>-</u>	<u>57,01,250</u>
9. Income from Operations:		
Insurance Agency Commission	1,10,18,411	1,36,09,672
Brokerage, Service Charge, Incentives etc.	95,56,540	80,18,870
Others	-	4,22,734
	<u>2,05,74,951</u>	<u>2,20,51,276</u>
10. Other Income		
Interest	52,068	3,99,212
Profit on Redemption of Investments	4,51,229	57,98,036
Dividend	13,28,219	1,93,618
Miscellaneous Income	2,98,553	4,945
	<u>21,30,069</u>	<u>63,95,811</u>
11. Administrative and other expenses		
Outsourced Servicing Fees	1,08,03,087	1,45,37,206
Rates and Taxes	11,825	3,620
Travelling and conveyance	3,53,316	3,87,766
Miscellaneous Expenses	1,21,592	1,84,671
Assets Discarded	9,065	-
Loss on redemption of Investments	17,270	39,068
	<u>1,13,16,155</u>	<u>1,51,52,331</u>

SCHEDULES

12 NOTES TO THE ACCOUNTS

1 SIGNIFICANT ACCOUNTING POLICIES :

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

1.2 Income Recognition:

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

1.3 Fixed Assets and Depreciation:

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

1.4 Valuation of Investments:

Long Term investments are stated at cost. Provision for decline in value, other than temporary, is considered wherever necessary. Current Investments are valued at lower of Cost and Market Value/ Net Asset Value.

1.5 Taxation:

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

1.6 Impairment of Assets:

The carrying amounts of assets are reviewed at each balance sheet date to ascertain impairment based on internal / external factors. An impairment loss is recognised when the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of the net selling price of the assets and their value in use.

1.7 Provisions:

Provisions are recognised when the company has present legal or constructive obligations, as a result of past events, for which it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made for the amount of the obligation.

1.8 Intangible Assets:

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

2. BALANCE SHEET :

2.1 Deferred Tax Asset

In accordance with Accounting Standard – 22 “Accounting for taxes on Income” issued by ICAI, the company has recognised the Deferred Tax Asset arising out of timing difference. The details of Deferred tax Asset as on 31st March, 2007 are as follows:

(in Rs.)

Particulars	Balance as on 31.03.2007	Balance as on 31.03.2006
Depreciation	-	12,605
Total	-	12,605

2.2 Advance payment of Income Tax and Tax deducted at source is net of Provision for Income Tax of Rs. 108,83,346/- (31.03.2006 - Rs.74,83,346).

SCHEDULES

12. NOTES TO THE ACCOUNTS (Contd.)

3. PROFIT AND LOSS ACCOUNT

3.1 Profit / Loss on Sale of Investments comprises of:

(In Rs.)

Particulars	2005-06		2005-06	
	Profit	Loss	Profit	Loss
Long term Investments	4,22,550	–	57,62,140	–
Current Investments	28,679	17,270	35,896	39,068
Total	4,51,229	17,270	57,98,036	39,068

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

(in Rs.)

	2006-07	2005-06
Statutory Audit	25,000	25,000
Tax Audit	8,000	8,000
Certification	–	2,500
Service Tax	4,079	4,345

3.3 The operations of the Company are conducted by outsourced personnel.

4. GENERAL

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

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

Related Parties:

Holding Company:

Sundaram Finance Ltd.

Fellow Subsidiaries:

Sundaram Home Finance Ltd.

Sundaram BNP Paribas Asset Management Company Ltd.

Sundaram BNP Paribas Trustee Company Ltd.

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

LGF Services Ltd.

Sundaram Infotech Solutions Ltd.

Sundaram Business Services Ltd.

Infreight Logistics Solutions Ltd (from 24.11.06)

Associate:

Sundaram BNP Paribas Mutual Fund

SCHEDULES
15. NOTES TO THE ACCOUNTS (Contd.)
Related Party Transactions

The nature and volume of transactions of the company during the year, with the above related parties are as follows: (in Rs.)

Nature of Transactions	Holding Company	Fellow Subsidiaries	Associate	Total
EXPENSES				
Sundaram Finance Ltd.				
- Sourcing Fee	29,75,891	-	-	29,75,891
	(49,53,070)	-	-	(49,53,070)
LGF Services Ltd				
- Sourcing Fee	-	-	-	-
	-	(4,20,547)	-	(4,20,547)
ASSETS				
Sundaram Finance Ltd.				
- Purchase of Equity Shares-CARE Ltd.	-	-	-	-
	(50,00,000)	-	-	(50,00,000)
Sundaram Mutual Fund				
- Investment in Trust Securities	-	-	2,71,51,367	2,71,51,367
	-	-	(3,00,25,115)	(3,00,25,115)
- Disinvestment in Trust Securities	-	-	2,90,44,028	2,90,44,028
	-	-	(2,42,41,911)	(2,42,41,911)
- Investment in Trust Securities at the end of the year	-	-	67,04,699	67,04,699
	-	-	(86,02,472)	(86,02,472)
LIABILITIES				
Sundaram Finance Ltd.-				
- Reduction of share capital	-	-	-	-
	(1,00,00,000)	-	-	(1,00,00,000)
- Dividend Payable	-	-	-	-
	(50,00,000)	-	-	(50,00,000)
Others				
- Interim Dividend paid	32,50,000	-	-	32,50,000
	(50,00,000)	-	-	(50,00,000)

Equity Share Capital of Rs.50,00,000 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	Earnings Per Share (Basic and diluted)	2006-07	2005-06
	A. Profit for the year after taxation (in Rs.)	79,70,217	1,00,30,410
	B. Weighted average no. of equity shares	5,00,000	12,83,562
	C. Basic and diluted earnings per share (A/B) (in Rs.)	15.94	7.81

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

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

4.6 Figures have been rounded off to the nearest rupee.

Signatures to Schedules 1 to 12

As per our report of even date attached

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

P Babu
Partner

 Chennai
14th May, 2007

S Venkatesan
A N Raju
K Sankar Kumar

Directors

Balance Sheet Abstract and Company's General Business Profile

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

I Registration Details

Registration No.

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State Code

1	8
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Balance Sheet Date

3	1
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2	0	0	7
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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																				
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				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>5</td><td>3</td><td>4</td><td>2</td></tr></table>					2	5	3	4	2	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>5</td><td>3</td><td>4</td><td>2</td></tr></table>					2	5	3	4	2											
				2	5	3	4	2																								
				2	5	3	4	2																								
	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>5</td><td>0</td><td>0</td><td>0</td></tr></table>					5	0	0	0	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td> </td><td> </td><td> </td><td>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>1</td><td>9</td><td>8</td><td>5</td><td>5</td></tr></table>					1	9	8	5	5		
				5	0	0	0																									
				N	I	L																										
				1	9	8	5	5																								
Application of Funds	Secured Loans	Net Fixed Assets	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>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>1</td><td>6</td><td>1</td><td>8</td><td>9</td></tr></table>					1	6	1	8	9
				N	I	L																										
				N	I	L																										
				1	6	1	8	9																								
	Net Current Assets	Net Fixed Assets	Misc. Expenditure																													
	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td> </td><td> </td><td> </td><td>8</td><td>6</td><td>6</td><td>6</td></tr></table>					8	6	6	6	<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				
				8	6	6	6																									
				N	I	L																										
				N	I	L																										

IV Performance of Company (Amount in Rs. Thousands)

Turnover	Total Expenditure																		
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				2	0	5	7	5											
				1	1	3	2	2											
+ - Profit / (Loss) Before Tax	+ - Profit / (Loss) After Tax																		
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✓				1	1	3	8	3											
✓				7	9	7	0												

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

Earnings per Share Rs. Ps.	Dividend Rate %																			
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				1	5	.	9	4												
								6	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

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

CASH FLOW STATEMENT

	2006-2007	2005-2006	(in Rs)
A) CASH FLOW FROM OPERATING ACTIVITIES			
Net Profit	79,70,217	1,00,30,410	
Add: Provision for Taxation	34,12,605	32,54,266	
	<u>1,13,82,822</u>	<u>1,32,84,676</u>	
Less: Interest Income	(52,068)	(3,99,212)	
Less: Dividend Income	(1,328,219)	(1,93,618)	
Add: Loss on Assets	9,065	-	
Less: Profit on sale of investments	(4,33,959)	(57,58,968)	
Add: Depreciation	<u>6,043</u>	<u>10,080</u>	
Operating Profit Before Working Capital Changes	95,83,685	69,42,958	
(Increase)/Decrease in Current Assets	10,00,000		
(Increase)/Decrease in Loans and Advances	(13,23,014)	(67,94,610)	
Increase/(Decrease) in Current Liabilities	(21,05,264)	15,80,846	
Cash generated from Operations	(24,28,278)	(52,13,764)	
Direct Taxes Paid	<u>(7,00,000)</u>	<u>(1,00,000)</u>	
NET CASH FROM OPERATING ACTIVITIES (A)	<u>64,55,407</u>	<u>16,29,194</u>	
B) CASH FLOW FROM INVESTING ACTIVITIES			
Loans-Secured		11,30,000	
Purchase of Investments	(7,53,26,255)	(3,57,05,116)	
Sale of Investments (net proceeds)	7,76,05,393	4,12,67,690	
Interest Received	52,068	3,99,212	
Dividend Received	13,28,219	1,93,618	
NET CASH FROM INVESTING ACTIVITIES (B)	<u>36,59,425</u>	<u>72,85,404</u>	
C) CASH FLOW FROM FINANCING ACTIVITIES			
Increase/(Reduction) in Share Capital	-	(1,00,00,000)	
Dividend paid	<u>(94,07,063)</u>		
NET CASH FROM FINANCING ACTIVITIES (C)	<u>(94,07,063)</u>	<u>(1,00,00,000)</u>	
Net Increase in Cash and Cash Equivalents (A) + (B) + (C)	7,07,769	(10,85,402)	
Cash and Cash Equivalents at the Beginning of the period	1,59,700	12,45,102	
Cash and Cash Equivalents at the End of the period	8,67,469	1,59,700	
Components of Cash and Cash Equivalents at the End of the Period			
Current Account with Banks	8,67,469	1,59,700	
Cash, Stamps and Stamp Papers on Hand	-	-	

As per our report of even date attached

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

P Babu
Partner

Chennai
14th May, 2007

S Venkatesan

A N Raju

K Sankar Kumar

Directors