

Board of Directors

D N Ghosh
T P Raman
T T Srinivasaraghavan
Guy de Froment
Francois Petit - Jean
S Krishnamurthy
T N Anantharama Iyer
Ashoke Bijapurkar
Banikanta Mishra
T Anantha Narayanan

Chairman
Managing Director

Audit Committee

S Krishnamurthy
T N Anantharama Iyer
T P Raman

Chairman

Investment Committee

S Krishnamurthy
T T Srinivasaraghavan
T P Raman
T Anantha Narayanan

Chairman

Chief Finance Officer

T S Sritharan

Secretary

P Sundararajan

Bankers

State Bank of Mysore
HDFC Bank Ltd.

Auditors

M/s. Brahmayya & 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

Home Page

Website : www.sundarambnpparibas.in

Other Committees

Remunerations Committee

D N Ghosh

Chairman

T P Raman

T T Srinivasaraghavan

Ashoke Bijapurkar

Products & Strategy Committee

T P Raman

Chairman

T T Srinivasaraghavan

Ashoke Bijapurkar



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

Ahmedabad
Bangalore
Cochin
Coimbatore
Delhi
Surat

Hyderabad
Kolkatta
Madurai
Mumbai
Pune
Chennai

Trichy
Vijayawada
Vizag
Jaipur
Chandigarh

Kanpur
Baroda
Indore
Lucknow
Ludhiana

SUNDARAM BNP PARIBAS ASSET MANAGEMENT COMPANY LIMITED

A subsidiary of



SUNDARAM FINANCE
Enduring values. New age thinking.

Contents

Directors' Report	4
Auditors' Report	12
Balance Sheet	16
Profit and Loss Account	17
Schedules	18
Cash Flow Statement	31
Balance Sheet Abstract and Company General Business Profile	32

Directors' Report

Your Directors have pleasure in presenting the Tenth Annual Report with the audited financial statement of accounts for the year ended 31st March 2006. The financial performance of your Company for the year 2005-06 is summarised below:

FINANCIAL RESULTS

(Rs. In lakhs)

Particulars	Year ended March 31, 2006	Year ended March 31, 2005
Gross Income	2,035.31	1342.67
Profit/(loss) before depreciation and tax	262.38	90.51
Less: Provision for Depreciation	(60.40)	(54.36)
Provision for Taxation	(27.54)	–
Profit/ (loss) after tax	174.44	36.14
Less: Prior period expenses	(152.00)	(30.84)
Provision for tax relating to earlier year	(2.81)	–
Profit after Tax and Prior Period items	19.63	5.30
Profit brought forward from the previous year	42.49	37.19
Surplus / (Loss) carried to Balance Sheet	62.12	42.49

Your Company earned a total income of Rs 2,035.31 lakhs, by way of investment management and advisory fees and other income during the year as against a total income of Rs 1,342.67 lakhs in the previous year, recording an increase of 51.58 % over the previous year. Your company reported a profit after tax of Rs. 174.44 lakhs for the year as against Rs. 36.14 lakhs in the previous year. After adjusting a sum of Rs. 154.81 lakhs towards the scheme expenses and tax provision of earlier years, a sum of Rs. 19.63 lakhs was reported as surplus for the financial year 2005-06. Your Directors propose retention of the profit with a view to conserve and building up reserves.

INDUSTRY REVIEW

The Mutual Fund Industry witnessed significant developments during the fiscal year 2005-06. It launched as many as 190 new schemes which together mobilized Rs.70,583 crores (Rs.25,764 crores in the previous year) of which 54 equity schemes mobilized Rs.38,015 crores setting an all time record. In the backdrop of the bullish market, equity schemes became the flavour of the year resulting in the emergence of equity as a major asset class accounting for 45% of the total assets under management.

Total funds mobilized during the year stood at Rs.10,98,158 crores as against Rs.8,39,662 crores in the last year representing an increase of 31%. The industry also witnessed a gross redemption of Rs.10,45,382 crores representing 25% increase over the previous year figure of Rs.8,37,508 crores. On a net basis, there was an inflow of Rs.52,776 crores as against Rs.2,174 crores in the last year.

The Assets under Management as on March 31, 2006 stood at Rs.2,31,862 crores as against Rs.1,49,554 crores as at March 31, 2005, registering an increase of 55% over the year.

Investor friendly and market related products, extension of branch network and investor awareness campaign etc by the AMCs had contributed to the increase inflow into the schemes. The market also widened by reaching to the rural and non-metros.

COMPANY PERFORMANCE

Your Directors are pleased to report that during 2005-2006, the gross mobilisation under the various schemes of Sundaram Mutual Fund amounted to Rs. 9,412 cr. as against Rs. 8,079 cr. in the previous financial year representing an increase of 16% over the previous year. The overall Assets Under Management amounted to Rs. 3, 278 cr. as on March 31, 2006, as against Rs. 1, 860 cr. at

the end of the previous year, representing an increase of 76.23 % over the previous year. The company's share of the assets of private sector funds increased to 1.80% as on 31st March 06 as against 1.58% as on 31st March 05.

A table showing the net asset value (NAV) per unit and Assets under Management of the schemes of Sundaram Mutual Fund as on 31st March 2006 in the annexure I.

During the year under review, Sundaram Mutual Fund launched 4 new schemes viz. Sundaram CAPEX Opportunities Fund, Sundaram Value Plus, Sundaram Fixed Term Plan and Sundaram Rural India Fund. The commendable performance of Sundaram Mutual schemes attracted considerable investor interest. The gross mobilisation under the new schemes (excluding Sundaram Rural India Fund) amounted to Rs.796 cr. The number of investors at the end of the year was 2.96 Lakhs as against 1.71 Lakhs at the end of the previous financial year.

Your Directors are happy to note that Sundaram Rural India Fund an open-ended equity scheme launched in March 2006, received tremendous support from the investing public. The fund mobilised a sum of Rs. 1,222 cr. from 1.60 Lakh applicants. Your company achieved yet another milestone with the AUM of Your Company has exceeded Rs. 5,000 cr., on 18th May 2006 and stood at Rs. 5,193 crs. The equity funds managed by your company also exceeded Rs. 3, 800 crs.

Your company has increased focus on mobilizing the investments through Systematic Investment Plan (SIP). Your company also promoted Sundaram tax saver – an open ended equity scheme. Your directors are happy to inform that your company mobilized a sum of Rs 68.34 from SIP investments and Rs. 42.59 crores for Tax saver. Considering the long term advantage of these plans, your company decided to amortize the upfront brokerage paid over a period of 24 months in the case of SIP investments and 36 months in the case of Sundaram Tax saver.

BRANCHES

Your Company opened new branches at Baroda, Indore, Lucknow, Ludhiana, and Surat, taking the total number of branches to 22. In the financial year 2006-07, your Company proposes to open branches at 40 new centers based on the expansion program approved by the Board. The centers have potential for generating good market share for the Mutual Fund products thereby increasing the long-term revenue to the company. Your Company also plans to enhance the network of agents and distributors to target retail savings.

Taking into account the above factors, and in view of the higher capital expenditure involved on account of interior decorations and furnishings etc. your company decided to amortize these expenses over the primary rental period with effect from April 1, 2005.

PORTFOLIO MANAGEMENT SERVICES / ADVISORY SERVICES

Your company has received permission from the Securities and Exchange Board of India to act as a Portfolio Manager and Management and advisory services. Your company has commenced the investment advisory services with effect from 22nd December 2005 to Parvest India Equity Fund launched by BNP Paribas Asset Management U.K.

Your company plans to commence its operation in Portfolio Management Services in the current financial year.

AWARDS

Sundaram Mutual Fund schemes continue to demonstrate good performance and rated highly by the independent research agencies during the year.

Sundaram India Leadership Fund was awarded the "Best Emerging Diversified Fund" for the year ending December 2005 by CRISIL.

Value Research, an independent research agency, assigned the highest rating of Five Star to Sundaram Select Midcap Fund. The following schemes enjoy Four Star rating given by the agency.

Sundaram Growth Fund

Sundaram Monthly Income Plan

Sundaram Tax saver (open ended)

Sundaram Balanced Fund

CRISIL has assigned the 'AAAF' rating to Sundaram Money Fund and Sundaram Floating rate fund Short-Term Plan. This rating indicates that the funds' portfolio holdings provide very strong protection against losses from credit defaults.

PROSPECTS

Your Company currently manages 18 open-ended schemes and 4 close-ended schemes. During the financial year 2006-07, your Company has plans to widen the range of products and thus cater to the varying needs and expectations of investors. Your Company is confident of growing on the back of performance and improved customer services.

JOINT VENTURE WITH BNP PARIBAS ASSET MANAGEMENT

Sundaram Finance Limited (SFL), Sponsors of the Sundaram Mutual Fund and BNP Paribas Asset Management (BNP PAM), France had entered into a share purchase agreement and shareholders agreement on 24th October 2005. The joint venture was entered for

the purpose of growth and development of Sundaram Mutual Fund and its investors. Under the joint venture, BNP PAM had acquired a 49.90% stake in your Company (SAMCL) and also in the Trustee Company, from SFL.

BNP Paribas Asset Management is a wholly owned subsidiary of BNP Paribas. BNP PAM is a major player in fund management and distribution, with an asset under management of Euro 274 billion as on December 31, 2005. It has a presence in 20 countries with more than 1400 staff members.

The joint venture will combine the strength of the Sundaram Finance brand, the national retail reach and investment management skills of the Sundaram AMC with the international product expertise and global network of BNP Paribas. Your Directors expect significant synergies on both sides and the joint venture aims at growing rapidly, with Sundaram AMC's expertise in the Indian market and to BNP Paribas Asset Management's global investment management experience and distribution network.

Consequent to the completion of formalities related to Joint Venture and approval given by the Registrar of Companies, the name of your company is changed as "Sundaram BNP Paribas Asset Management Company Limited".

SHARE CAPITAL

BNP Paribas Asset Management, France contributed a sum of US\$ 5,00,000 (INR 2.23 Crs) as a part of fulfilling the requirement of Foreign Direct Investment norms, by subscribing to the rights shares offered by your company. Sundaram Finance Limited had also subscribed to its full entitlement of rights shares of Rs. 2.24 Crs.

After the rights issue, the paid up capital of your company is increased to Rs. 15.33 Crs and the networth of the company as at March 31, 2006 stood at Rs. 20.09 Crs.

DIRECTORS

Mr. A.V.Rajawade and Mr. Narayan.K Seshadri who were on the Board of your company relinquished their office of directorship on March 31, 2006. Your Directors place on record their sincere appreciation for the valuable contribution made by them to the growth and progress of the Company.

Mr. Banikanta Mishra and Mr.T.Anantha Narayanan were appointed by the Board in the casual vacancy created by the resignation of Mr R Seshsayee and Mr. M.S.Parthsarathy, respectively.

Mr. Banikanta Mishra is a Post Graduate in Economics and M.Phil and Ph. D in Business Administration. He is the Professor of Finance in Xavier Institute of Management, Bhubaneswar. He has a distinguished academic career and was a recipient of Jules Bogen Fellowship and Alfred P. Sloan Foundation Fellowship award from

the New York University. He published a number of research papers and articles on finance and capital markets.

Mr. Anantha Narayanan, 60, is a commerce graduate with professional qualifications in Cost Accountancy and Chartered Accountancy. He has a distinguished academic career and secured all India ranks in ICWA and CA exams.

He started his career as an officer in State Bank of India, in January '69 and was instrumental in introducing performance budgeting, planning and control systems. He was a founder member of the merchant banking division of SBI and had rich experience in the entire gamut of merchant banking and financial services.

He joined as accounts manager in Ashok Leyland Limited. He supervised finance and systems functions of the company and coordinated group finance activities of associate companies. As a member of senior management team he participated in key strategic planning and decision-making process of the company. He became the Executive Director of Ashok Leyland, in charge of finance and information technology. After retirement he holds directorship in Ashok Leyland group companies.

Mr. De Froment, Guy and Mr. Jean Petit, Francois have been co-opted as additional directors of your company.

Mr. De Froment, Guy, 56, is a graduate from HEC Business School, from Paris, France.

He has over 30 years experience in the finance industry, of which 13 years in the asset management industry and is currently the Vice Chairman of BNP PAM.

In the earlier years he was the Chief Executive of Indosuez Asset Management and later on was appointed as Head of Continental Europe Asset Management in BZW Asset Management in Barclays group. He has held various positions in BNP PAM and BNP PAM Group.

Mr. Petit – Jean, Francois, 44, is a graduate from HEC Business School (Ecole des hautes Commerciales), and holds a Master Degree in Economics & Political Science from IEP (Instut d'Etudes Politiques), both from Paris, France.

He has over 18 years experience in the Corporate Finance. He also has rich experience in Investment Banking and Asset Gathering activities. He was Assistant Professor – Finance at HEC Graduate School of Business. Currently he is New Markets Managing Director and Head of Corporate & Strategy Development of BNP PAM.

In his earlier years he was Vice-President Investment Banking and equity capital markets in Financiere Indoseuz (Banqua Indosuez). He later moved as Executive VP in Investment Banking where his responsibilities included mergers and acquisitions in Banexi Group (BNP). From the year 2000 – 2003 he headed the corporate

development, asset management and service core business of BNP PAM.

The present term of office of the above directors comes to end at the date of the ensuing AGM. Your company received notice from members proposing the appointment of directors under Section 257 of the Companies Act, 1956 at the ensuing AGM.

Your Board of Directors welcomes the new appointees and Your Company would stand to gain from their rich knowledge and experience.

Mr S Krishnamurthy and Mr T.T.Srinivasaraghavan Directors retire by rotation at the ensuing Annual General Meeting and, being eligible, offer themselves for re-election.

Necessary resolutions are submitted for your approval.

TRIBUTE

With deep regret your directors record the demise of Mr. C.R.Vijayaraghavan, former Director. Mr. C.R.Vijayaraghavan was one of the first directors of your company and was instrumental in the formation of Sundaram Mutual Fund and setting up of your company.

PUBLIC DEPOSITS

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

INFORMATION UNDER SECTION 217 (1) (E) OF THE COMPANIES ACT, 1956

Your Company has no activity relating to conservation of energy or technology absorption. The Company has earned USD 33,749 as Investment advisory fees. The company incurred foreign exchange expenditure for travel and payment of brokerage and commissions on behalf of the mutual fund.

PERSONNEL

During the year your company recruited 81 persons to the work force. The number of employees on the rolls of the company as at 31 March 2006 stood at 173. 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.

COMMITTEES OF THE BOARD

Audit Committee

The Audit Committee of the Board comprising of Mr. S. Krishnamurthy, Mr.T.N. Anantharama Iyer, Directors and Mr. T.P. Raman, Managing Director. Mr. S. Krishnamurthy chaired the Meetings of the Committee. The Statutory Auditor, Internal Auditor, Compliance Officer, Secretary and Manager Finance are invited to the meetings of the Committee. During the year the Committee met 7 times and reviewed the financial accounts/policies, adequacy of internal control systems and interacted with Statutory Auditors, Internal Auditors and Systems Auditors. Besides, the Committee reviewed audit plans, unaudited/audited financial results, and observations and follow-up reports of the management.

Investment Committee

The Investment Committee of the Board comprises Mr.S.Krishnamurthy, T.T. Srinivasaraghavan and Mr. T.N.Ananthanarayanan Directors, and Mr. T.P. Raman, Managing Director. Mr.S.Krishnamurthy chaired the meetings of the Committee. The Chief Investment Officer, the Compliance Officer and the Secretary of the Company attended the meetings of the Committee. During the year the Committee met two times and reviewed the performance of the schemes of Sundaram Mutual, and reviewed investment norms and the investment strategy. The Committee took note of the purchases and sale of investments made by the schemes.

Remuneration Committee

The Remuneration Committee, comprises Mr. D.N. Ghosh the Chairman, Mr. T.T. Srinivasaraghavan and Mr. Ashoke Bijapurkar Directors and Mr. T.P.Raman, the Managing Director. The Committee decides the remuneration policy for the key managerial personnel of the Company. During the year the committee met on 22/04/2005 and framed the compensation policy for the year.

Products and Strategy Committee

The Products and Strategy Committee, comprises Mr A V Rajwade, Mr. T T Srinivasaraghavan, Ashoke Bijapurkar, Mr Narayan K Seshadari, Directors and Mr T P Raman Managing Director as members. The Committee evaluates the new products proposed by the Company and recommend the launch of schemes. It also reviews the business plan and the marketing and distribution strategy adopted for promoting Mutual Fund Schemes, and met 6 times during the year under review.

**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 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 Brahmaya & 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 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 Mutual Fund, and from Sundaram Finance Limited, BNP Paribas Asset Management, Paris.

Your Board of Directors also thank the Securities and Exchange Board of India and Association of Mutual Funds in India, Company's bankers and other intermediaries 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.

For and on behalf of the Board

Chennai
23 May 2006

S. Krishnamurthy
Chairman

Annexure to the Directors Report

Scheme	NAV as on 31 st March 2006 (Rs.)	AUM as on 31 st March 2006 (Rs. in Crores)
Sundaram Tax saver '97	34.0325	3.03
Sundaram Growth Fund		136.21
• Dividend	17.5360	
• Appreciation	61.6566	
Sundaram Bond Saver		75.90
• Regular		
• Dividend option		
o Quarterly	10.1450	
o Half yearly	10.2375	
o Annual	10.3417	
• Appreciation option	21.8517	
• Bonus Option	11.5064	
• Institutional Plan		
o Bonus option	11.1146	
Sundaram Tax saver '98	65.3190	1.05
Sundaram Tax saver (Open-ended)		58.81
• Dividend	17.8323	
• Growth	25.0942	
Sundaram Money Fund		604.86
• Regular		
o Daily Dividend Reinvestment option	10.0953	
o Weekly dividend reinvestment option	10.2307	
o Fortnightly dividend reinvestment option	10.1857	
o Monthly dividend reinvestment option	10.1421	
o Quarterly dividend reinvestment option	10.3427	
o Appreciation option	14.7081	
• Institutional		
o Daily Dividend	10.0953	
o Weekly Dividend	10.2619	
o Monthly Dividend	10.1857	
o Appreciation	14.7403	
• Super Institutional		
o Daily Dividend	10.0953	
o Weekly Dividend	10.2618	
o Appreciation	14.7525	
Sundaram Balanced Fund		40.20
• Dividend option	14.8843	
• Appreciation option	30.4044	
Sundaram Gilt Fund		1.66
• Dividend option	10.3033	
• Appreciation option	12.8828	

Scheme	NAV as on 31 st March 2006 (Rs.)	AUM as on 31 st March 2006 (Rs. in Crores)
Sundaram Select Focus		79.92
• Dividend option	19.8695	
• Appreciation option	51.6645	
Sundaram Select Midcap		564.45
• Dividend option	20.3744	
• Appreciation option	75.4500	
Sundaram Income Plus		10.59
• Dividend option	10.2359	
• Appreciation option	12.1894	
Sundaram Select Debt		
-Dynamic Asset Plan		0.82
• Dividend option		
o Quarterly dividend	10.2600	
o Half-yearly dividend	10.2976	
o Annual dividend	10.4505	
• Appreciation option	12.5475	
-Short-term Asset plan		2.28
• Dividend option		
o Weekly dividend	10.8876	
o Fortnightly dividend	10.4381	
o Monthly dividend	10.4188	
o Quarterly dividend	10.3971	
o Half yearly dividend	10.3466	
o Annual dividend	10.7166	
• Appreciation option	12.0815	
- Sundaram Monthly Income Plan		48.38
• Dividend Option		
• Monthly	10.7739	
• Quarterly	10.8490	
• Half Yearly	11.7383	
• Growth option	12.2751	
Sundaram India Leadership Fund		274.30
• Dividend	17.4221	
• Growth	27.7691	
Sundaram Capex opportunities Fund		
• Dividend	13.9647	499.74
• Growth	14.9113	280.01
Sundaram Smile Fund		279.14
• Dividend	14.9073	
• Growth	17.2667	

Scheme	NAV as on 31 st March 2006 (Rs.)	AUM as on 31 st March 2006 (Rs. in Crores)
Sundaram Floating Rate Fund – Long Term Plan <ul style="list-style-type: none"> • Regular <ul style="list-style-type: none"> • Dividend <ul style="list-style-type: none"> o Annual 10.6162 o Half Yearly 10.3776 o Quarterly 10.2271 o Monthly 10.2532 • Appreciation 10.6187 • Institutional <ul style="list-style-type: none"> • Dividend <ul style="list-style-type: none"> o Monthly 10.2516 • Appreciation 10.6185 		13.76
Sundaram Floating Rate Fund – Short Term Plan <ul style="list-style-type: none"> • Regular <ul style="list-style-type: none"> • Dividend <ul style="list-style-type: none"> o Monthly 10.1870 • Appreciation 10.6516 • Institutional <ul style="list-style-type: none"> • Dividend <ul style="list-style-type: none"> o Daily 10.0519 o Weekly 10.2228 o Monthly 10.2126 • Appreciation 10.7176 		129.61
Sundaram Fixed Term Plan <ul style="list-style-type: none"> • Series I 100 Days <ul style="list-style-type: none"> o Dividend 10.0807 o Growth 10.0807 • Series III 400 Days <ul style="list-style-type: none"> o Dividend 10.0766 o Growth 10.0766 		169.54
Sundaram Value Plus <ul style="list-style-type: none"> • Series III <ul style="list-style-type: none"> o Appreciation 10.6566 		3.74
Total		3278.00

Auditors' Report

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

1. We have audited the attached Balance Sheet of M/s. Sundaram BNP Paribas Asset Management Company Limited (formerly Sundaram Asset Management Company Limited) (the Company) as at 31st March 2006, the Profit and Loss Account and the Cash Flow Statement of the Company for the year ended on that date, annexed thereto. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 as amended by the Companies (Auditor's Report) (Amendment) Order, 2004 (together the 'Order') issued by the Central Government in terms of sub-section (4A) of section 227 of the Companies Act, 1956, (the Act) we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above, we report that:
 - (i) we have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit.
 - (ii) in our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books.
 - (iii) the Balance Sheet, Profit and Loss Account and 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 2006 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2006 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956; and
 - (vi) According to the explanations given to us, considering the change in the method of accounting of
 - (a) upfront brokerage paid on subscriptions in excess of Rs.1 lakh to Systematic Investment Plans in respect of open ended schemes - the brokerage was accounted as an expense upto 31st March, 2005 and with effect from 1st April, 2005 is amortised over a period of twenty four months or the period of investment, whichever is less (as detailed in Note No.3.4 of Schedule 15), the profit before Depreciation and Tax is higher by Rs.11,91,849/- and
 - (b) expenditure incurred towards renovation, interior decoration etc. in respect of office premises taken on rent which was hitherto written off as an expense upto 31st March, 2005 and is being amortised over the primary rental period of the office premises with effect from 1st April, 2005 (as detailed in Note 3.5 of schedule 15) the Profit before Depreciation and Tax for the year is higher by Rs.16,07,197/-.

Subject to the above, in our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India,

- (a) in the case of the Balance Sheet, of the state of affairs of the company as at 31st March 2006;
- (b) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and

- (c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Chennai
23rd May 2006

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

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

1. a) The company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
b) 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. 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. a) In our opinion and according to the information and explanations given to us, the company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register under Section 301 of the Act.
b) In our opinion and according to the information and explanations given to us, the company has not taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained under Section 301 of the Act.
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 the 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 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.
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, 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, 2006 for a period of six months from the date they became payable.
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.
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, Service tax which have not been deposited on account of any dispute.
10. The company does not have any accumulated losses at the end of the 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 the 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 has issued equity shares to the existing equity shareholders on a "Rights Basis" during the year. Based on the information and explanations given to us, the Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Act.
 19. The company has not issued debentures during the year.
 20. The company has not raised monies by public issue during the year.
 21. 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.
 22. 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 and xiii of paragraph 4 of the Companies (Auditors' Report) Order, 2003 are not applicable to the company for the year.

For **BRAHMAYYA & CO.,**

Chartered Accountants

P.BABU

Partner

Membership No.203358

Chennai

23rd May 2006

Balance Sheet

as at 31st March, 2006

Schedule	31.03.2006		31.03.2005	
	Rs.		Rs.	
I. SOURCES OF FUNDS				
1. Shareholders' Funds				
a) Capital	1	15,33,32,290		15,00,00,000
b) Reserves and Surplus	2	47,568,838	20,09,01,128	42,48,974
				15,42,48,974
2. Deferred Tax Liability (net)				
Deferred Tax Liability		13,39,464		12,49,212
Less: Deferred Tax Asset		10,70,270	2,69,194	10,70,270
				1,78,942
3. Loan Funds				
a) Secured Loans			-	-
b) Unsecured Loans			-	-
Total		20,11,70,322		15,44,27,916
II. APPLICATIONS OF FUNDS				
1. Fixed Assets				
a) Gross Block	3	4,14,37,797		3,42,62,371
b) Less: Depreciation		2,28,10,051		1,71,37,226
c) Net Block			1,86,27,746	1,71,25,145
2. Investments				
	4		5,27,30,565	3,88,04,690
3. Current Assets, Loans and Advances				
a) Current Assets	5	3,78,92,524		3,81,24,357
b) Loans and Advances	6	12,93,90,139		9,10,05,733
(A)		<u>16,72,82,663</u>		<u>12,91,30,090</u>
Less: Current Liabilities and Provisions				
a) Current Liabilities	7	3,45,89,383		2,80,51,636
b) Provisions	8	28,81,269		26,00,000
(B)		<u>3,74,70,652</u>		<u>3,06,51,636</u>
Net Current Assets	(A-B)		12,98,12,011	9,84,78,454
4. Miscellaneous expenditure (to the extent not written off or adjusted)	9		-	19,627
Total		20,11,70,322		15,44,27,916
Notes to the Account	15			

As per our report of even date attached

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

P Babu
Partner

Chennai
23rd May, 2006

S. Krishnamurthy
Director

Ashoke Bijapurkar
Director

T P Raman
Managing Director

T N Anantharama Iyer
Director

Francois Petit Jean
Director

P Sundararajan
Company Secretary

T T Srinivasaraghavan
Director

T Anantha Narayanan
Director

Profit and Loss Account

for the year ended 31st March, 2006

	Schedule	2005 - 2006 Rs.	2004 - 2005 Rs.
<u>INCOME</u>			
Income from operations	10	19,17,38,473	12,01,94,799
Other Income	11	1,17,92,679	1,40,72,451
Total	(A)	20,35,31,152	13,42,67,250
<u>EXPENDITURE</u>			
Establishment expenses	12	8,63,79,607	5,10,64,111
Administrative and other expenses	13	6,71,33,212	5,93,41,173
Scheme expenses borne by the company	14	2,37,60,741	1,47,91,662
Preliminary expenses written off		19,627	19,627
Total	(B)	17,72,93,187	12,52,16,573
Profit before depreciation and tax	(A-B)	26,237,965	90,50,677
Less: Depreciation		60,39,923	54,36,544
Profit before taxation		20,198,042	36,14,133
<u>TAXATION</u>			
Current Tax		-	-
Deferred Tax		90,252	-
Fringe Benefit Tax		26,63,708	-
Profit after Tax		17,444,082	36,14,133
Less: Prior-Period expenses		1,52,00,000	30,84,000
Provision for income tax relating to earlier year		2,81,269	-
Profit after Tax and Prior Period Items		1,962,813	5,30,133
Balance of profit brought forward from the previous year		42,48,974	37,18,841
Surplus - Balance carried to Balance Sheet		6,211,787	42,48,974
<u>EARNINGS PER EQUITY SHARE</u>			
Number of Shares		1,50,00,913	1,50,00,000
(2005-06 weighted average number of equity shares)			
Excluding prior period items - in Rs.		1.16	0.24
Including prior period items - in Rs.		0.13	0.04
Notes to the accounts	15		

As per our report of even date attached

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

P Babu
Partner

Chennai
23rd May, 2006

S. Krishnamurthy
Director

Ashoke Bijapurkar
Director

T P Raman
Managing Director

T N Anantharama Iyer
Director

Francois Petit Jean
Director

P Sundararajan
Company Secretary

T T Srinivasaraghavan
Director

T Anantha Narayanan
Director

SCHEDULES

1. SHARE CAPITAL

	31.03.2006	31.03.2005
	Rs.	Rs.
SHARE CAPITAL		
Authorised		
2,00,00,000 Equity Shares of Rs 10/- each	20,00,00,000	15,00,00,000
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>20,00,00,000</u>
Issued, Subscribed and fully paid up		
1,53,33,229 Equity Shares of Rs 10/- each	15,33,32,290	15,00,00,000
76,81,948 equity shares (previous year 1,50,00,000 shares) are held by Sundaram Finance Ltd., the Holding Company and its nominees.	<u>15,33,32,290</u>	<u>15,00,00,000</u>
2. RESERVES AND SURPLUS		
Securities premium account		
Received during the year	4,13,57,051	-
Surplus - Balance in Profit and Loss Account	6,211,787	42,48,974
	<u>4,75,68,838</u>	<u>42,48,974</u>

SCHEDULE NO. 3
Fixed Assets

(In Rupees)

Description	GROSS BLOCK AT COST		DEPRECIATION		NET BLOCK			
	As at 01-04-2005	Additions Deductions	As at 31-03-2006	Upto 31-03-2005	Additions Deductions	Upto 31-03-2006	As at 31-03-2006	As at 31-03-2005
Office Equipment	56,58,454	7,97,913 32,900	64,23,467	19,21,024	7,17,920	25,681	38,10,204	37,37,430
Electrical Equipment	23,80,770	850,387 -	32,31,157	13,96,887	1,73,033	-	16,61,237	9,83,883
Computers	1,22,42,567	23,82,372 3,32,816	1,42,92,123	78,78,983	21,78,955	3,06,866	45,41,051	43,63,584
Furniture and fixtures	95,13,783	8,56,200 -	1,03,69,983	48,69,352	11,54,070	-	43,46,561	46,44,431
Vehicles	9,37,517	7,33,091 40,242	16,30,366	3,73,111	2,85,294	3,4551	10,06,512	5,64,406
Improvement to rented premises	-	19,61,421 -	19,61,421	-	3,54,224	-	16,07,197	-
Intangible Assets								
Computer Software	35,29,280	-	35,29,280	6,97,869	11,76,427	-	16,54,984	28,31,411
Total	3,42,62,371	75,81,384 4,05,958	4,14,37,797	1,71,37,226	60,39,923	3,67,098	1,86,27,746	1,71,25,145

SCHEDULES

	Face Value (Rs.)	31.03.2006 (Rs.)	31.03.2005 (Rs.)
4. INVESTMENTS			
I. Long Term Investments			
At Cost - Fully paid up			
Unquoted			
A. In Trust Securities:			
In Mutual Funds			
Units of Sundaram India Leadership fund - 3,81,484 units under dividend option	38,14,840	50,00,000	50,00,000
Units of Sundaram Balanced Fund - 9,31,989 units under dividend option	93,19,890	1,50,00,000	1,50,00,000
Units of Sundaram Growth Fund - 3,23,143 units under dividend option (Opening balance of 1,78,544 units and 1,44,599 units purchased during the year)	32,31,430	50,00,000	25,00,000
Units of Sundaram Select focus - 1,92,237 units under dividend option	19,22,370	25,00,000	25,00,000
Units of Sundaram Midcap - 1,65,913 units under dividend option (Opening balance of 39,718 units and 1,26,195 units purchased during the year)	16,59,130	30,00,000	5,00,000
Units of HDFC Top 200 Fund - 79,302 units under Dividend plan (Opening balance of 11,703 units and 67,599 units purchased during the year)	7,93,020	27,00,000	2,00,000
Units of HDFC Capital Builder Fund - 91,535 units under dividend option (purchased during the year)	9,15,350	25,00,000	—
Units of Franklin Templeton Mutual Fund - 13,012 units under Bluechip Fund Dividend payout plan	1,30,120	2,00,000	2,00,000
Units of Sundaram Capex Fund - 1,00,000 units under Dividend payout plan (purchased during the year)	10,00,000	10,00,000	—
Sub-total(A)		3,69,00,000	2,59,00,000
B. In Bonds/ Debentures :			
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
50 Series K, 14.50% Unsecured Redeemable Non convertible Bonds of Indian Petrochemicals Corpn Ltd of Rs.33,333/- each (face value of Rs.33,333 per bond redeemed during the year)	—	—	16,66,650
2, 12.95% Unsecured Subordinated Bonds in the nature of Non-Convertible debentures of Rs. 25,00,000 each in Centurion Bank Limited (redeemed during the year)	—	—	50,00,000
Sub-Total(B)		10,00,000	76,66,650
C. In Equity Shares :			
Quoted			
Andhra Sugars Ltd - 500 Equity Shares of Rs.10 each (sold during the year)	—	—	21,760
Swaraj Mazda Ltd - 260 equity shares of Rs.10 each (sold during the year)	—	—	48,174
Sub-Total(C)		—	69,934
Total (A)+(B)+(C)=I		3,79,00,000	3,36,36,584

SCHEDULES

	Face Value (Rs.)	31.03.2006 (Rs.)	31.03.2005 (Rs.)
II Current Investments			
In Trust Securities - In Mutual Funds			
Units of Sundaram Floating Rate - Short Term - NIL units (84,56,113 units purchased , 52,296 units received under dividend reinvest option and 85,08,409 units redeemed during the year)	-	-	-
Units of Sundaram Money Fund 14,16,656 units under Institutional Dividend Reinvest Daily Option and 52,181 units under Institutional Dividend Reinvest Weekly Option (7,89,297 units purchased, 2,733 units received under dividend reinvest option and 7,39,849 units redeemed under the Institutional Dividend Reinvest Weekly Option during the year) and (opening balance of 5,11,932 units and 71,02,315 units purchased, 23,126 units received under dividend reinvest option and 62,20,717 units redeemed during the year under Institutional Dividend Reinvest Daily option).	1,46,88,370	1,48,30,565	51,68,106
Total (II)		<u>1,48,30,565</u>	<u>51,68,106</u>
Grand Total (I) + (II)		<u>5,27,30,565</u>	<u>3,88,04,690</u>
Summary of Investments :			
I. Long Term Investments			
Quoted			
In Equity Shares		-	69,934
Unquoted			
In Bonds / Debentures		10,00,000	76,66,650
In Trust Securities		3,69,00,000	2,59,00,000
II. Current Investments			
Trust Securities		1,48,30,565	51,68,106
GRAND TOTAL		<u>5,27,30,565</u>	<u>3,88,04,690</u>
		Cost	Market Value
		31.03.2006	
Aggregate of unquoted Investments - Long Term			
In Bonds / Debentures		10,00,000	10,00,000 *
Aggregate of unquoted Investments - Long Term			
In Trust Securities		3,69,00,000	4,03,34,000
Aggregate of unquoted Investments - Current			
In Trust Securities		1,48,30,565	1,48,35,000

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

SCHEDULES

	31.03.2006	31.03.2005
	Rs.	Rs.
5. CURRENT ASSETS		
Interest accrued on Investments	4,39,801	2,28,987
Cash and Bank Balances		
With Scheduled Banks in		
Current Accounts	23,10,921	27,66,103
Fixed Deposits	3,50,00,000	3,50,00,000
Cash on Hand	1,41,802	1,29,267
	<u>3,78,92,524</u>	<u>3,81,24,357</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	1,81,00,000
Other Advances	5,21,29,280	3,33,50,262
Loans to Staff	17,62,223	21,13,799
Tax deducted at source	3,08,09,160	1,86,41,241
Income Receivable	2,65,89,476	1,88,00,431
	<u>12,93,90,139</u>	<u>9,10,05,733</u>
7. CURRENT LIABILITIES		
Sundry Creditors		
For expenses	2,63,61,403	2,62,52,169
For others	82,27,980	17,99,467
	<u>3,45,89,383</u>	<u>2,80,51,636</u>
8. PROVISIONS		
Provision for Income-tax	28,81,269	26,00,000
	<u>28,81,269</u>	<u>26,00,000</u>
9. MISCELLANEOUS EXPENDITURE		
(To the extent not written off or adjusted)		
Preliminary expenses		
As per last Balance Sheet	19,627	39,254
Less : Written off during the year	19,627	19,627
	<u>-</u>	<u>19,627</u>

SCHEDULES

	2005 - 2006	2004 - 2005
	Rs.	Rs.
10. INCOME FROM OPERATIONS		
Investment Management and Advisory Fee [Tax Deducted at Source Rs.1,16,70,169 /-]	19,17,38,473	12,01,94,799
	<u>19,17,38,473</u>	<u>12,01,94,799</u>
11. OTHER INCOME		
Interest receipts [Tax deducted at source Rs.3,18,200 /-]	14,89,900	21,60,552
Dividend Income	70,04,014	60,41,216
Income from Investments [Tax deducted at source Rs.1,79,550 /-]	11,99,613	24,77,848
Profit on sale of Investments	83,683	27,61,870
Profit on Sale of Assets	4,804	6,141
Provision no longer required	1,830,230	-
Miscellaneous income	1,80,435	6,24,824
	<u>1,17,92,679</u>	<u>1,40,72,451</u>
12. ESTABLISHMENT EXPENSES		
Salaries and allowances	7,45,81,078	4,53,39,288
Company's contribution to Provident fund and Employees State Insurance Schemes	35,80,611	26,61,095
Staff welfare expenses	27,25,749	25,03,303
Ex-gratia	42,75,170	-
Gratuity	12,16,999	5,60,425
	<u>8,63,79,607</u>	<u>5,10,64,111</u>

SCHEDULES

	2005 - 2006	2004 - 2005
	Rs.	Rs.
13. ADMINISTRATIVE AND OTHER EXPENSES		
Rent	1,49,24,680	1,32,59,185
Rates and Taxes	3,42,815	25,010
Communication Expenses	65,22,633	62,04,675
Subscription	29,80,799	36,08,536
Printing and Stationery	29,79,583	25,71,595
Electricity charges	26,14,769	24,83,190
Travelling and conveyance	1,09,75,575	98,98,185
Directors' sitting fee	9,10,000	7,10,000
Insurance	7,11,164	7,08,440
Professional and Consultancy fees	11,04,861	30,65,586
Business Development Expenses	41,90,783	19,33,997
Repairs and Maintenance		
- Building	37,92,998	23,61,487
- Others	39,88,720	28,49,170
Software charges	5,04,154	9,08,011
Database and Networking Expenses	49,23,298	41,01,015
Miscellaneous expenses	56,44,313	35,53,149
Loss on sale of assets	22,067	67,708
Loss on sale / redemption of investments	-	9,79,678
Diminution in value of Investments	-	52,556
	<u>6,71,33,212</u>	<u>5,93,41,173</u>
14. SCHEME EXPENSES BORNE BY THE COMPANY		
Brokerage and Commission	1,20,42,573	77,14,986
Advertisement, Printing, Mailing and other expenses	1,17,18,168	70,76,676
	<u>2,37,60,741</u>	<u>1,47,91,662</u>

15 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.

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:

The company's liability towards gratuity and leave encashment to the employees is covered by a group policy with Life Insurance Corporation of India.

1.7 Preliminary Expenses:

Preliminary expenses incurred in connection with the incorporation of the Company are written off in ten equal instalments.

1.8 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.

1.9 Intangible Assets:

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

1.10 Impairment of Assets:

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

1.11 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 Share Capital

During the year, the company has issued 3,33,229 Equity shares of face value of Rs.10/- each, at a premium.

2.2 Fixed Assets:

- a) Intangible Assets: In accordance with Accounting Standard AS - 26 – Intangible Assets issued by ICAI, Intangible Assets comprise of software purchased and amortised on the basis of a technical evaluation over a period of three years on straight-line basis.
- b) Expenditure incurred towards renovation, interior decoration etc. in respect of office premises taken on rent is capitalised under “Improvement to rented premises” and is amortised over the primary rental tenure.

2.3 Current Liabilities:

Sundry Creditors for expenses include Rs. 7,80,000/- (31.03.2005 – Rs. 7,22,153/-) payable to Managing Director.

3. PROFIT AND LOSS ACCOUNT:

3.1 Profit / Loss on sale of investments comprise of:

	(In Rupees)			
	2005 – 2006		2004 – 2005	
	Profit	Loss	Profit	Loss
Long Term Investments	82,499	NIL	7,72,141	9,79,678
Current Investments	1,184	NIL	19,89,729	NIL
TOTAL	83,683	NIL	27,61,870	9,79,678

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

Particulars	(In Rupees)	
	2005 –2006	2004 – 2005
Salary and Allowance	27,00,000	22,58,153
Contribution to Provident Fund and Gratuity	2,01,692	1,61,354
Other Allowances and Perquisites	1,55,589	1,57,315
TOTAL	30,57,281	25,76,822

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

	(In Rupees)	
	2005- 2006	2004 –2005
Statutory Audit	1,25,000	90,000
Tax Audit	50,000	36,000
Certification	22,500	44,000
Service Tax	24,175	17,340

- 3.4 a) Upfront Brokerage paid on subscriptions in excess of Rs.1 lakh to Systematic Investment Plan (SIP) in respect of open ended schemes was accounted as an expense at the time of subscription to the schemes upto 31st March, 2005 and with effect from 1st April, 2005 is amortised over a period of twenty four months or the period of investment, whichever is earlier. Consequent to this change in the method of accounting, the Profit before Depreciation and Tax of the company for the year is higher by Rs. 5,93,380/- and Brokerage and Commission Expenses under “Scheme Expenses borne by the company” is lower by a corresponding amount.
- b) i) Upfront Brokerage paid on subscriptions in excess of Rs. 1 lakh to Sundaram Tax Saver (Open Ended) scheme was accounted as an expense upto 31st March 2005 and with effect from 1st April 2005 is amortised over a period of thirty six months.
- ii) Upfront brokerage paid on subscriptions upto Rs.1 lakh to Sundaram Tax Saver (open ended) scheme upto 31st March, 2005 was amortised over a period of twenty four months or period of investment, whichever is earlier and with effect from 1st April, 2005 is amortised over a period of thirty six months or the period of investment, whichever is earlier.

Consequent to the above changes in the method of accounting, the Profit before Depreciation and Tax of the company is higher by Rs.7,36,910/- (Rs.5,98,469/- pertaining to (i) and Rs. 1,38,441/- pertaining to (ii)) and “Brokerage and Commission Expenses under “Scheme expenses borne by the company” is lower by a corresponding amount.

- 3.5 Expenditure incurred towards renovation, interior decoration etc. in respect of office premises taken on rent which was hitherto written off as an expense upto 31st March, 2005 is being amortised over the primary rental period of the premises with effect from 1st April, 2005. Consequent to this change in the method of accounting, the profit before Depreciation and Tax for the year is higher by Rs. 16,07,197/- and Repairs and Maintenance expenses is lower by Rs.19,61,421/- and Depreciation expense for the year is higher by Rs.3,54,224/-.
- 3.6 Expenses pertaining to a prior year, determined during the year have been accounted as prior period expenses.

4. GENERAL

- 4.1 During the year, BNP PAM Group and BNP Paribas Asset Management, France (BNP PARIBAS) have joined Sundaram Mutual Fund as a co-sponsor. In view of the above and the allotment of equity shares in the company, the name of the company has been changed to Sundaram BNP Paribas Asset Management Company Limited.
- 4.2 The Company has identified Asset Management and Investment Advisory Service as the only business segment.
- 4.3 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 01.04.2005	Additions	Balance as on 31.03.2006	
Deferred Tax Liability:Depreciation	12,49,212	90,252	13,39,464	(A)
Deferred Tax Asset:Leave encashment	10,70,270	–	10,70,270	(B)
Net Deferred Tax Liability / (Asset)	1,78,942	90,252	2,69,194	(A)-(B)

4.4 Related Party Disclosures: In accordance with the Accounting Standard AS - 18 on 'Related Party Disclosures' issued by ICAI, the details of transactions with related parties are given below.

JOINT VENTURE PROMOTERS

		M/s. Sundaram Finance Limited
		M/s. BNP Paribas Asset Management, France.
Fellow Subsidiaries	:	M/s. Sundaram Home Finance Limited
		M/s. Sundaram Finance Trustee Company Limited
		M/s. Royal Sundaram Alliance Insurance Company Limited
		M/s. LGF Services Limited
		M/s. Sundaram Finance Distribution Limited
		M/s. Sundaram Infotech Solutions Limited
		M/s. Sundaram Business Services Ltd
Associate	:	M/s. Sundaram Mutual Fund
Key Management Personnel	:	Mr T P Raman – Managing Director

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

Particulars	Joint Venture Promoters	Fellow Subsidiaries/ Associate	Key Management Personnel	Total 2005-2006	2004-2005
Income					
Investment Management and Advisory Fees	13,65,855	19,03,72,618		19,17,38,473	12,01,94,799
Claims Received		—	—	—	45,403
Expenses					
Rent and Office management	83,42,832			83,42,832	83,55,168
Provident Fund administration charges	9,600			9,600	10,400
Maintenance of website	2,95,781			2,95,781	2,44,287
Internal, Concurrent Audit Fees	2,94,832			2,94,832	54,825
Database, connectivity and other technical charges	57,48,745	4,30,000		61,78,745	78,10,256
Insurance Premium		6,51,933		6,51,933	60,000
Remuneration			3,057,281	30,57,281	25,76,822
Assets					
Investment in trust securities		17,13,46,000		17,13,46,000	2,41,17,800
Disinvestments in trust securities		15,58,26,000		15,58,26,000	2,55,57,800
Investment in trust securities at the end of the year		4,63,31,000		4,63,31,000	3,07,20,662
Investment management fees receivable	15,05,172	2,50,84,304		2,65,89,476	1,88,00,431
Liabilities					
Share Capital	33,32,290			33,32,290	—
Securities Premium	4,13,57,051			4,13,57,051	—

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

4.5 Earnings per Share (Basic and diluted)

		2005-2006	2004-2005
1. Number of shares (nominal value of Rs.10/- each) (2005-06 weighted average number of equity shares)	(A)	1,50,00,913	1,50,00,000
2. Profit after tax, before prior period item – Rs.	(B)	1,74,44,083	36,14,133
3. Profit after tax, after prior period item – Rs.	(C)	19,62,814	5,30,133
4. Earnings per share (Basic and diluted) – Rs.			
(i) Before prior period item	(B)/(A)	1.16	0.24
(ii) After prior period item	(C)/(A)	0.13	0.04

4.6 The company does not owe any sum to a Small Scale Industrial undertaking (31-03-2005 – Nil).

4.7 Expenditure in foreign Currency (On Payment Basis): Travelling Expenses Rs. 6,48,883 /- (Previous year- Rs. 8,14,605/-)

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

As per our report of even date attached

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

P Babu
Partner

Chennai
23rd May, 2006

S. Krishnamurthy
Director

Ashoke Bijapurkar
Director

T P Raman
Managing Director

T N Anantharama Iyer
Director

Francois Petit Jean
Director

P Sundararajan
Company Secretary

T T Srinivasaraghavan
Director

T Anantha Narayanan
Director

CASH FLOW STATEMENT

	2005-06		2004-05	
	Rs.	Rs.	Rs.	Rs.
A CASH FLOW FROM OPERATING ACTIVITIES				
Profit/(Loss) after tax	19,62,813		5,30,133	
Add: Profit on sale of assets	(4,804)		(6,141)	
Profit on sale of investments	(83,683)		(27,61,870)	
Loss on sale of assets	22,067		67,708	
Loss on sale of investments	—		9,79,678	
Provision for tax relating to earlier year	2,81,269		—	
Depreciation	60,39,923		54,36,544	
Diminution in value of investments	—		52,556	
Preliminary expenses written off	19,627		19,627	
Deferred Tax	90,252		—	
Interest income	(26,89,512)		(46,38,400)	
Dividend Income	(70,04,014)		(60,41,216)	
Operating loss before working capital changes		(13,66,062)		(63,61,381)
- (Increase) / Decrease in Current assets	(2,10,816)		17,86,610	
- (Increase) / Decrease in Loans and advances	(3,83,84,407)		(2,34,27,204)	
- Increase / (Decrease) in Current Liabilities	65,37,747	(3,20,57,476)	92,76,135	(1,23,64,459)
Cash generated from Operations		(3,34,23,538)		(1,87,25,840)
NET CASH USED IN OPERATING ACTIVITIES (A)		(3,34,23,538)		(1,87,25,840)
B CASH FLOW FROM INVESTING ACTIVITIES				
- Purchase of investments	(21,14,88,945)		(24,12,30,556)	
- Sale of investments	19,75,63,070		28,43,57,855	
- Purchase of fixed assets	(75,81,384)		(80,14,812)	
- Sale of fixed assets	21,600		22,100	
- Profit on Sale of Investments	83,683		27,61,870	
- Loss on Sale of Investments	—		(9,79,678)	
- Dividend income	70,04,014		60,41,216	
- Interest income	26,89,512		46,38,400	
NET CASH USED IN INVESTING ACTIVITIES (B)		(1,17,08,450)		4,75,96,395
C CASH FLOW FROM FINANCING ACTIVITIES				
-Increase in Share Capital	33,32,290		—	
-Increase in Securities Premium	4,13,57,051		—	
NET CASH FROM FINANCING ACTIVITIES (C)		4,46,89,341		
Net Increase / (Decrease) in Cash & Cash Equivalents (A) + (B) + (C)		(4,42,647)		2,88,70,555
Cash and Cash Equivalents at the beginning of the Year		3,78,95,370		90,24,815
Cash and Cash Equivalents at the end of the Year		3,74,52,723		3,78,95,370

Note : Cash & Cash Equivalents comprise the following :

a. Cash on hand	1,41,802
b. Balances with Banks in Current accounts	23,10,921
c. Fixed Deposits	3,50,00,000
Total	3,74,52,723

As per our report of even date attached

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

P Babu
Partner

Chennai
23rd May, 2006

S. Krishnamurthy
Director

Ashoke Bijapurkar
Director

T P Raman
Managing Director

T N Anantharama Iyer
Director

Francois Petit Jean
Director

P Sundararajan
Company Secretary

T T Srinivasaraghavan
Director

T Anantha Narayanan
Director

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
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State Code

1	8
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Balance Sheet Date

3	1
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0	3
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2	0	0	6
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Date Month Year

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

Public Issue	Rights Issue																				
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			N	I	L																
				4	4	6	8	9													
Bonus Issue	Private Placement																				
<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td> </td><td> </td><td>N</td><td>I</td><td>L</td><td> </td><td> </td><td> </td><td> </td></tr></table>				N	I	L					<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td> </td><td> </td><td>N</td><td>I</td><td>L</td><td> </td><td> </td><td> </td><td> </td></tr></table>				N	I	L				
			N	I	L																
			N	I	L																

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

	Total Liabilities		Total Assets																		
Sources of Funds	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td> </td><td> </td><td>2</td><td>0</td><td>1</td><td>1</td><td>7</td><td>0</td></tr></table>				2	0	1	1	7	0	Reserves & Surplus	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td> </td><td> </td><td>2</td><td>0</td><td>1</td><td>1</td><td>7</td><td>0</td></tr></table>				2	0	1	1	7	0
			2	0	1	1	7	0													
			2	0	1	1	7	0													
	Paidup Capital		Unsecured Loans																		
	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><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> </td><td> </td><td>2</td><td>6</td><td>9</td></tr></table>							2	6	9
			1	5	3	3	3	2													
						2	6	9													
Application of Funds	Secured Loans	Investments	Misc. Expenditure																		
	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td> </td><td> </td><td>N</td><td>I</td><td>L</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>5</td><td>2</td><td>7</td><td>3</td><td>0</td></tr></table>				5	2	7	3	0
			N	I	L																
			5	2	7	3	0														
	Net Current Assets	Accumulated Losses	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td> </td><td> </td><td>N</td><td>I</td><td>L</td><td> </td><td> </td><td> </td><td> </td></tr></table>				N	I	L												
			N	I	L																
	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td> </td><td> </td><td>1</td><td>2</td><td>9</td><td>8</td><td>1</td><td>2</td></tr></table>				1	2	9	8	1	2											
			1	2	9	8	1	2													

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>2</td><td>0</td><td>3</td><td>5</td><td>3</td><td>1</td></tr></table>				2	0	3	5	3	1	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td> </td><td> </td><td>1</td><td>8</td><td>3</td><td>3</td><td>3</td><td>3</td></tr></table>				1	8	3	3	3	3
			2	0	3	5	3	1											
			1	8	3	3	3	3											
+ - Profit / (Loss) Before Tax	+ - Profit / (Loss) After Tax																		
<input checked="" type="checkbox"/> <table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td> </td><td> </td><td>2</td><td>0</td><td>1</td><td>9</td><td>8</td></tr></table>				2	0	1	9	8	<input checked="" type="checkbox"/> <table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td> </td><td> </td><td>1</td><td>7</td><td>4</td><td>4</td><td>4</td></tr></table>				1	7	4	4	4		
			2	0	1	9	8												
			1	7	4	4	4												
(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> </td><td>1</td><td>.</td><td>1</td><td>6</td></tr></table>						1	.	1	6	<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></tr></table>				-	-				
					1	.	1	6											
			-	-															

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	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