

**LGf SERVICES LIMITED**

*4<sup>th</sup> Annual Report 2007-08*





## Board of Directors

Paramesh Krishnaier

M. Ramaswamy

G. Sundararajan

## Bankers

State Bank of Travancore

State Bank of Patiala

ICICI Bank

## Auditors

M/s. Brahmayya & Co., Chennai

Chartered Accountants

## Registered Office

21, Patullos Road

Chennai 600 002

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## **LGF SERVICES LIMITED**

A wholly-owned subsidiary of



## **SUNDARAM FINANCE LIMITED**

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## Directors' Report

Your Directors present the Fourth Annual Report and Audited Accounts for the year ended 31st March, 2008.

### FINANCIAL RESULTS:

Particulars	(Rs. in Lakhs)	
	Year ended March 31, 2008	Year ended March 31, 2007
Profit after tax	143.88	153.81
Add: Surplus of Previous Year	55.57	17.53
<b>Amount available for appropriation</b>	<b>199.45</b>	<b>171.34</b>
Transfer to General Reserve	29.00	16.00
Dividend	87.50	87.50
Dividend Tax	14.87	12.27
Surplus carried to Balance Sheet	68.08	55.57

### BUSINESS REVIEW

During the year under review, the total commission earned through distribution of insurance products of Oriental Insurance Company Limited is Rs.385.75 lakhs as against Rs. 474.72 lakhs in the previous year. The profit after tax for the year amounted to Rs.143.88 lakhs as against Rs.153.81 lakhs in the previous year.

### DIVIDEND

Your directors are happy to recommend a dividend of 350% for the financial year 2007-08 on the paid-up capital of Rs.25.00 lakhs. The dividend together with dividend tax of Rs.14.87 lakhs absorbs a sum of Rs.102.37 lakhs.

### DIRECTORS

Sri Paramesh Krishnaier, Director, retires by rotation and being eligible offers himself for re-election. Necessary resolution is submitted for your approval.

### DIRECTORS' RESPONSIBILITY STATEMENT

Your directors confirm that:

- in the preparation of the annual accounts, the applicable accounting standards have been followed;
- 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 of the Company for that period;

- 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
- they have prepared the annual accounts on a going-concern basis.

### SECRETARIAL COMPLIANCE CERTIFICATE

In accordance with Section 383A of the Companies Act, 1956, the Secretarial Compliance Certificate is attached with this report.

### INFORMATION AS PER SECTION 217(1)(e) OF THE COMPANIES ACT, 1956

Your Company has no activity relating to conservation of energy or technology absorption. Your Company did not have any foreign exchange earnings or outgo during the year.

### PERSONNEL

Your Company has no employees on its payroll. The provisions of Section 217(2A) of the Companies Act, 1956 are not applicable.

### DEPOSITS

Your Company has not accepted any public deposit during the period under review.

### AUDITORS

M/s Brahmayya & Co, Chartered Accountants, Chennai, retire and are eligible for reappointment. A certificate under Section 224(1B) of the Companies Act, 1956 has been received from them.

### ACKNOWLEDGEMENT

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

Chennai 600 002  
Date : 20th May 2008

**M Ramaswamy**  
**G Sundararajan**  
Directors

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## Secretarial Compliance Certificate

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

To  
The Members  
LGF Services Limited  
21, Patullos Road,  
Chennai – 600 002.

I have examined the registers, records, books and papers of **LGF SERVICES LIMITED** (the Company), as required to be maintained under the Companies Act, 1956, (the Act) and the rules made there under and also the provisions contained in the Memorandum and Articles of Association of the Company for the financial year ended **31st March 2008**. In my opinion and to the best of information and according to the examinations carried out by me and explanations furnished to me by the Company, its officers and agents, I certify that in respect of the aforesaid period:

1. The Company has kept and maintained all registers as stated in Annexure 'A' to this certificate, as per the provisions and the rules made there under 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 Four (4) times on 10th May 2007, 28th September 2007, 29th December 2007 and 24th March 2008 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 2008.
6. The Third Annual General Meeting for the financial year ended 31st March 2007 was held on 29th June 2007 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 2008.
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 year ended 31st March 2008.
13. The Company:



- i) has not effected any allotment / transfer / transmission of securities during the year ended 31st March 2008.
  - ii) has not deposited any amount in a separate bank account as no dividend was declared during the year ended 31st March 2008.
  - iii) was not required to post warrants to any member of the Company as no dividend was declared during the year ended 31st March 2008.
  - iv) has not declared any dividend, issued any shares or debentures and has not accepted any deposits. Hence, the question of transfer of dividend to unpaid dividend account, application money due for refund, matured deposits, matured debentures and the interest accrued thereon which have remained unclaimed or unpaid for a period of seven years to Investor Education and Protection Fund does not arise.
  - v) has duly complied with the requirements of Section 217 of the Act.
14. The Board of Directors of the Company is duly constituted and the appointment to the Board has been duly made and registered.
  15. The Company has not appointed any Managing Director/ Whole-time Director/Manager during the year under review.
  16. The Company has not appointed any sole selling agent during the year ended 31st March 2008.
  17. The Company was not required to obtain any approvals of the Central Government, Company Law Board, Regional Director and / or such authorities prescribed under the various provisions of the Act during the year ended 31st March 2008.
  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 there under.
  19. The Company has not issued any shares, debentures or other securities during the financial year ended 31st March 2008.
  20. The Company has not bought back any shares during the year under review and hence the question of complying with the buy back provisions does not arise.
  21. The Company has no preference share capital and has not issued debentures and hence the question of redemption of preference shares / debentures during the year under review does not arise.
  22. There were no transactions necessitating the Company to keep in abeyance the rights to dividend, rights shares and bonus shares pending registration of transfer of shares.
  23. The Company has not invited / accepted any deposits including any unsecured loans falling within the purview of Section 58A during the year ended 31st March 2008.
  24. The Company has not made any borrowings during the financial year ended 31st March 2008.
  25. The Company has not made loans and investments or given guarantees or provided securities to other bodies corporate and consequently no entries have been made in the Register kept for the purpose.
  26. During the year under review, the Company has not altered the provisions of its Memorandum and its Articles of Association.
  27. There was no prosecution initiated against or show cause notices received by the Company and no fines or penalties or any other punishment was imposed on the Company during the year ended 31st March 2008, for offences under the Act.
  28. The Company has not received any money as security from its employees during the year ended 31st March 2008.
  27. According to the information and explanations given to me, during the year under review, the provisions relating to contribution to Provident Fund did not apply to the Company.
- Place : Chennai **MALINI SESHADRI, A.C.S.**  
Date : 09.05.2008 No. 5493 CP1323

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## Annexure A to Secretarial Compliance Certificate

Registers as maintained by the Company during the year ended 31st March, 2008

Sl. No.	Section Number	Name of the Register
1.	–	Share Transfer Register
2.	150	Register of Members
3.	193	Minutes of the meetings of Board of directors
4.	193	Minutes of the meetings of the Members
5.	303	Register of Directors
6.	307	Register of Directors' Shareholding
7.	372A	Register of Investments / Loans / Guarantees and Securities
8.	–	Board Meeting Attendance Register
9.	–	General Meeting Attendance Register
10.	–	Common Seal Register

Place: Chennai

Date: 09.05.2008

**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 2008

### REGISTRAR OF COMPANIES

Sl.No	Form No.	Relevant Section	Description
1.	32	303	Appointment of Sri Paramesh Krishnaier and Sri M. Ramaswamy as Directors.
2.	DIN 3	266E	Intimation of Director Identification Numbers.
3.	32	303	Resignation of Sri P. Viswanathan and Sri S. Srinivasan, Directors.
4.	66	383A	Compliance Certificate issued by Ms Malini Seshadri, Practising Company Secretary, for the financial year ended 31st March 2007.
5.	23AC & 23ACA	220	Balance Sheet and Profit & Loss Account for the financial year ended 31st March 2007.
6.	32	303	Appointment of Sri Paramesh Krishnaier and Sri M. Ramaswamy as Directors.
7.	20 B	159	Annual Return made upto 29th June 2007 (Date of AGM).

### REGIONAL DIRECTOR

NIL

### CENTRAL GOVERNMENT & OTHER AUTHORITIES

NIL

Place: Chennai

Date: 09.05.2008

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

No. 5493 CP1323



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# Auditors' Report

## To the Members of LGF Services Limited

1. We have audited the attached Balance Sheet of LGF Services Limited, (the Company) as at 31st March 2008, the Profit and Loss Account and the Cash Flow Statement of the Company for the year ended on that date, annexed thereto which we have signed under reference to this report. 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 2008 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2008 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 2008;
    - (b) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
    - (c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

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

Place : Chennai  
Date : 20th May 2008



## Annexure to the Auditors' Report

### Referred to in Paragraph 3 of Our Report of Even Date

1. In our opinion and according to the information and explanations given to us, the Company has not granted or taken loans to / from companies, firms or other parties covered in the register maintained under Section 301 of the Act. Therefore, the provisions of clauses iii(a) to iii(g) of Paragraph 4 of the Order are not applicable to the Company for the year.
2. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to services rendered by the Company. During the course of our audit, no major weaknesses have been noticed in the internal controls and therefore the reporting of the same does not arise.
3.
  - a) To the best of our knowledge and belief and according to the information and explanations given to us, we are of the opinion that the particulars of contracts or arrangements referred to in Section 301 of the Act that need to be entered in the register maintained under that Section have been so entered.
  - b) In our opinion, according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements have prima facie been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
4. The Company has not accepted deposits.
5. The Company has an internal audit system which in our opinion, is commensurate with the size and the nature of its business.
6. The Central Government has not prescribed the maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956.
7.
  - a) According to the records of the Company and the information and explanations given to us, income tax and service tax was regularly deposited during the year with the appropriate authorities.
  - b) According to the information and explanations given to us, there are no undisputed amounts payable in respect of income tax and service tax which are outstanding as at 31st March, 2008 for a period of more than six months from the date they become payable.
8. According to the records of the Company and the information and explanations given to us, there are no dues of income tax and service tax which have not been deposited on account of any dispute.
9. The Company does not have any accumulated losses at the end of the financial year and has not incurred cash loss during the current year.
10. The Company does not have any borrowing from financial institutions, or by issue of debentures. The Company has not defaulted in the repayment of the bank borrowing.
11. According to the information and explanations given to us, the Company has not:
  - a) granted loans or advances on the basis of security by way of pledge of shares, debentures and other securities.
  - b) given any guarantees for loan taken by others from banks or financial institutions.
  - c) availed any term loan during the year.
  - d) issued any debentures.
  - e) raised monies by public issue during the year.
12. The Company is not a chit fund / nidhi / mutual benefit fund or society.
13. Based on our examination of records and information and explanations given to us, proper records have been maintained of the transactions and contracts relating to dealing in securities and timely entries have been made therein. The securities have been held by the Company in its own name.
14. To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the Company was noticed or reported during the year.
15. In our opinion and according to the information and explanations given to us, the nature of the company's business / activities during the period have been such that clauses i, ii, xiii and xviii of paragraph 4 of the Companies (Auditors Report) Order, 2003 are not applicable to the Company.

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

Place : Chennai  
Date : 20th May 2008

## Balance Sheet

as at 31st March, 2008

Schedule	31.03.2008		31.03.2007	
	Rs.		Rs.	
<b>I SOURCES OF FUNDS</b>				
<b>1. Shareholders' Funds</b>				
(a) Capital	1	25,00,000	25,00,000	
(b) Reserves and Surplus	2	<u>1,33,08,349</u>	<u>91,57,279</u>	1,16,57,279
<b>2. Loan Funds</b>				
(a) Secured Loans		—	—	
(b) Unsecured Loans	3	—	20,99,404	20,99,404
<b>Total</b>		<b><u>1,58,08,349</u></b>	<b><u>1,37,56,683</u></b>	
<b>II APPLICATION OF FUNDS</b>				
1. Fixed Assets		—	—	
2. Investments	4	1,24,26,333	65,00,000	
3. Current Assets, Loans and Advances				
(a) Current Assets	5	11,85,040	3,41,809	
(b) Loans and Advances	6	<u>1,26,52,146</u>	<u>77,74,605</u>	
	(A)	<u>1,38,37,186</u>	<u>81,16,414</u>	
Less: Current Liabilities and Provisions				
(a) Current Liabilities	7	2,19,645	8,62,807	
(b) Provisions	8	<u>1,02,37,063</u>	—	
	(B)	<u>1,04,56,708</u>	<u>8,62,807</u>	
Net Current Assets	(A-B)	33,80,478	72,53,607	
4. Miscellaneous Expenditure (to the extent not written off or adjusted)	9	1,538	3,076	
<b>Total</b>		<b><u>1,58,08,349</u></b>	<b><u>1,37,56,683</u></b>	
Notes to the Accounts	14			

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

Chennai  
20th May, 2008

**G Sundararajan**

**M Ramaswamy**

Directors



## Profit and Loss Account

for the Year Ended 31st March, 2008

	Schedule	2007-08 Rs.	2006-07 Rs.
<b><u>INCOME</u></b>			
Income from Operations	10	3,85,74,688	4,74,72,103
Other Income	11	4,19,863	6,45,643
<b>Total</b>	<b>(A)</b>	<b><u>3,89,94,551</u></b>	<b><u>4,81,17,746</u></b>
<b><u>EXPENDITURE</u></b>			
Financial expenses	12	38,688	59,909
Administrative and other expenses	13	1,72,16,192	2,48,74,814
Preliminary expenses written off		1,538	1,538
<b>Total</b>	<b>(B)</b>	<b><u>1,72,56,418</u></b>	<b><u>2,49,36,261</u></b>
<b>Profit before Tax</b>	<b>(A-B)</b>	<b><u>2,17,38,133</u></b>	<b><u>2,31,81,485</u></b>
Less:			
Provision for Income tax-Current		73,50,000	78,00,000
<b>Profit after Tax</b>		<u>1,43,88,133</u>	<u>1,53,81,485</u>
Balance Brought Forward from the previous year		55,57,279	17,52,982
Amount available for Appropriation		<u>1,99,45,412</u>	<u>1,71,34,467</u>
<b><u>APPROPRIATIONS</u></b>			
Dividend			
- Proposed Dividend		87,50,000	87,50,000
- Dividend Distribution Tax		14,87,063	12,27,188
General Reserve		29,00,000	16,00,000
Surplus - Balance carried to Balance Sheet		68,08,349	55,57,279
		<u>1,99,45,412</u>	<u>1,71,34,467</u>
Notes to the Accounts	14		
Earnings per share (Basic and diluted):			
Number of Shares Considered (Face Value of Rs.10/- Per Share)		2,50,000	2,50,000
Basic Earnings per Share		57.55	61.53

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

Chennai  
20th May, 2008

**G Sundararajan**

**M Ramaswamy**

Directors

## SCHEDULES

	31.03.2008		31.03.2007
	Rs.		Rs.
<b>1. Capital</b>			
<b>Authorised</b>			
2,50,000 Equity shares of Rs.10/- each	<u>25,00,000</u>		<u>25,00,000</u>
<b>Issued, Subscribed and fully paid up</b>			
2,50,000 Equity Shares of Rs.10/- each	<u>25,00,000</u>		<u>25,00,000</u>
(includes 2,00,000 Equity Shares of Rs.10/- each			
allotted as fully paid-up by way of bonus shares by			
capitalisation of General Reserve)			
(The entire shares are held by			
Sundaram Finance Ltd. and its nominees)			
<b>2. Reserves and Surplus</b>			
General Reserve			
Per Last Balance Sheet	36,00,000		40,00,000
Less: Capitalised during the year by			
way of issue of Bonus Shares	-		20,00,000
Add: Transfer from Profit and Loss Account	<u>29,00,000</u>	65,00,000	<u>16,00,000</u>
Surplus - Balance in Profit and Loss account		<u>68,08,349</u>	<u>55,57,279</u>
		<u><b>1,33,08,349</b></u>	<u><b>91,57,279</b></u>
<b>3. Unsecured Loans</b>			
- Overdraft from a Scheduled Bank		-	<b>20,99,404</b>

**4. Investments**

(in Rs.)

Face Value (FV)	31.03.2008	31.03.2007
<b>Long Term - At cost</b>		
<b>In Trust Securities</b>		
<b>In Mutual Funds</b>		
<b>Unquoted</b>		
Sundaram BNP Paribas Fixed Term Plan - 16 Months (4,00,000 units of Face Value Rs.10/- each)	40,00,000	40,00,000
<b>Current Investments</b>		
<b>In Trust Securities</b>		
Standard Chartered Fixed Maturity Plan - 3 Months (1,50,000 units of Face Value of Rs.10/- each redeemed during the year)	—	15,00,000
TATA Fixed Horizon Fund - 3 Months (1,00,000 units of Face Value of Rs.10/- each redeemed during the year)	—	10,00,000
Lotus India FMP Series XXII (2,02,634.82 units of Face Value of Rs.10/- each purchased during the year)	20,26,348	—
TATA Dynamic Bond Fund (1,43,264.78 units of Face Value of Rs.10/- each purchased during the year)	14,32,648	—
TATA Fixed Horizon Fund Series 17 (2,00,000 units of Face Value of Rs.10/- each purchased during the year)	20,00,000	—
UTI HFMP (03/08) (1,00,000 units of Face Value of Rs.10/- each purchased during the year)	10,00,000	—
Sundaram BNP Paribas Liquid Plus-Retail (1,89,071.62 units of Face Value of Rs.10/- each purchased during the year)	18,90,716	—
<b>Total</b>	<b>1,24,26,333</b>	<b>65,00,000</b>
<b>SUMMARY OF INVESTMENTS</b>		
<b>In Trust Securities</b>		
Unquoted - Long Term	40,00,000	40,00,000
Unquoted - Current	84,26,333	25,00,000
<b>Total</b>	<b>1,24,26,333</b>	<b>65,00,000</b>

#### 4. Investments (Contd.)

##### Mutual Fund units purchased and redeemed during the year

Scheme Name	Face Value (in Rs.)	Units	Amount (in Rs.)
SMF - Dividend Reinvest - Daily	10	15,06,690	1,52,10,488
ABN AMRO Flexible Interval Fund Series B	10	1,00,000	10,18,292
Birla FMP - Quarterly Series 23	10	2,50,000	25,40,910
Birla Sunlife Liquid Plus	10	2,50,363	25,09,512
Lotus India FMP-1 Month Series VI	10	3,00,000	30,19,164
Lotus Liquid Plus-Weekly Dividend	10	3,01,846	30,24,285
Principal PNB FMP- 91 Days - Series XII	10	2,00,000	20,34,958
SBIMF-SDFS-90 DAYS	10	1,00,000	10,16,351
Tata Fixed Income Portfolio Fund Scheme A	10	1,00,000	10,05,667
<b>Total</b>		<b>31,08,899</b>	<b>3,13,79,629</b>



	31.03.2008	31.03.2007
		(in Rs.)
<b>5. Current Assets</b>		
Cash and Bank Balances with Scheduled Bank in		
- Current Accounts	11,85,040	3,41,809
	<b>11,85,040</b>	<b>3,41,809</b>
<b>6. Loans and Advances</b>		
Advance Income Tax and Tax deducted at source (net of provision for Income Tax)	58,80,317	29,41,268
Income Receivable	67,71,829	48,33,337
	<b>1,26,52,146</b>	<b>77,74,605</b>
<b>7. Current Liabilities *</b>		
Sundry Creditors		
- Expenses	1,92,271	7,88,845
- Others	27,374	73,962
	<b>2,19,645</b>	<b>8,62,807</b>
* There are no amounts due and outstanding to be credited to investor Education and Protection Fund		
<b>8. Provisions</b>		
Proposed dividend	87,50,000	-
Dividend Distribution Tax	14,87,063	-
	<b>1,02,37,063</b>	-
<b>9. Miscellaneous Expenditure</b>		
Preliminary expenses	3,076	4,614
Less: Written off during the year	1,538	1,538
	<b>1,538</b>	<b>3,076</b>
<b>10. Income from Operations</b>		
Operational Income (TDS Rs. 58,89,799/-)	3,62,62,962	4,74,72,103
Other Operating Income	23,11,726	-
	<b>3,85,74,688</b>	<b>4,74,72,103</b>
<b>11. Other Income</b>		
Profit on Redemption of Investments	5,182	1,09,859
Dividend Income	2,95,493	3,35,784
Interest	1,19,188	-
Miscellaneous Income	-	2,00,000
	<b>4,19,863</b>	<b>6,45,643</b>
<b>12. Financial Expenses</b>		
Interest on Overdraft paid to bank	<b>38,688</b>	<b>59,909</b>
<b>13. Administrative and other expenses</b>		
Outsourced Servicing Fees	1,69,55,410	2,47,11,915
Rates and Taxes and Filing Fees	22,813	11,497
Miscellaneous expenses	2,37,969	1,44,945
Loss on redemption of Investments	-	6,457
	<b>1,72,16,192</b>	<b>2,48,74,814</b>



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## **SCHEDULES**

### **14 NOTES TO THE ACCOUNTS**

#### **1 SIGNIFICANT ACCOUNTING POLICIES:**

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

#### 1.2 Income Recognition:

Income in respect of insurance agency commission is accounted on accrual basis.

#### 1.3 Valuation of Investments:

Long Term investments are stated at cost. Provision for decline in value, other than temporary, is considered wherever necessary.

Current Investments are valued at lower of Cost and Market Value / Net Asset Value.

#### 1.4 Taxation:

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

#### 1.5 Impairment of Assets:

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

#### 1.6 Provisions:

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

#### 1.7 Preliminary Expenses:

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

#### 1.8 Intangible Assets:

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

#### **2. BALANCE SHEET:**

2.1 Advance payment of Income Tax and tax deducted at source is net of provision for taxation of Rs.1,98,68,702/- (31/03/2007 – Rs.1,41,52,000/-).

**SCHEDULES****14 NOTES TO THE ACCOUNTS (Contd.)****3. PROFIT AND LOSS ACCOUNT**

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

3.2 Profit / Loss on Sale of Investments comprises of: (in Rs.)

Particulars	2007-08		2006-07	
	Profit	Loss	Profit	Loss
Long term Investments	–	–	–	–
Current Investments	5,182	–	1,09,859	6,457
<b>Total</b>	<b>5,182</b>	<b>–</b>	<b>1,09,859</b>	<b>6,457</b>

3.3 Miscellaneous expenses under “Administrative and Other Expenses”

include Remuneration to Auditors towards:

(in Rs.)

	2007-08	2006-07
Statutory Audit	30,000	20,000
Tax Audit	10,000	7,000
Service Tax	4,944	3,338

**4. GENERAL**

4.1 The company is engaged primarily in the business of Insurance Agency. There are no separate reportable segments as per Accounting Standard – AS 17 – Segment Reporting.

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

**Related Parties:****Holding Company:**

Sundaram Finance Limited

**Fellow Subsidiaries:**

Sundaram BNP Paribas Home Finance Limited

Sundaram BNP Paribas Asset Management Company Limited

Sundaram BNP Paribas Trustee Company Limited

Sundaram Finance Distribution Limited

Sundaram Infotech Solutions Limited

Sundaram Business Services Limited

Infrieght Logistics Solutions Limited

Professional Management Consultants Private Limited (from 16.05.2007)

**Associate:**

Sundaram BNP Paribas Mutual Fund

## Related Party Transactions

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

(in Rupees)

Nature of Transactions	Holding Company	Fellow Subsidiaries	Associate	Total
<b>Expenses</b>				
Sundaram Finance Ltd.				
- Sourcing Fee	7,42,091 (46,23,907)	-	-	7,42,091 (46,23,907)
<b>Assets</b>				
Sundaram Mutual Fund				
- Investment in Trust Securities	-	-	3,63,03,515 (2,30,89,412)	3,63,03,515 (2,30,89,412)
- Disinvestment in Trust Securities	-	-	3,44,10,488 (2,35,71,616)	3,44,10,488 (2,35,71,616)
- Investment in Trust Securities at the end of the year	-	-	58,95,257 (40,00,000)	58,95,257 (40,00,000)
<b>Liabilities</b>				
Sundaram Finance Ltd.				
- Dividend Payable	87,50,000	-	-	87,50,000
- Interim Dividend Paid	- (87,50,000)	-	-	- (87,50,000)
- Sourcing Fees Payable	1,51,955 (7,60,207)	-	-	1,51,955 (7,60,207)

Equity Share Capital of Rs.25,00,000 is outstanding as on 31.03.2008 .

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

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



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

4.4 Earnings per share (Basic and diluted):	For the year ended 31st March 2008	For the year ended 31st March 2007
A. Profit for the year after taxation (Rs.)	1,43,88,133	1,53,81,485
B. Total number of equity shares of Rs.10/- each outstanding at the end of the year (in numbers)	2,50,000	2,50,000
C. Basic earnings per share (Rs.) (A/B)	57.55	61.53

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

4.6 Figures have been rounded off to nearest rupee.

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Signatures to Schedules 1 to 14

As per our report of even date attached

For **Brahmayya & Co.,**

Chartered Accountants

**L. Ravi Sankar**

Partner

Chennai

20th May, 2008

**G Sundararajan**

**M Ramaswamy**

Directors





## Cash Flow Statement

	2007-08 Rs.	2006-07 Rs.
<b>A) CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Profit	1,43,88,133	1,53,81,485
Add: Provision for Taxation	73,50,000	78,00,000
Preliminary expenses written off	1,538	1,538
	2,17,39,671	2,31,83,023
Less: Profit on sale of investments	(5,182)	(1,03,402)
Less: Dividend Income	(2,95,493)	(3,35,784)
Add: Financial Expenses	38,688	59,909
<b>OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES</b>	<b>2,14,77,684</b>	<b>2,28,03,746</b>
(Increase) Decrease in receivables	(83,00,271)	(57,44,319)
Income Tax Refund Including Interest	10,72,730	-
Increase (Decrease) in Current Liabilities	(6,43,162)	(9,05,334)
Cash generated from Operations	(78,70,703)	(66,49,653)
Financial Expenses	(38,688)	(59,909)
Direct Taxes Paid	(50,00,000)	(10,00,000)
<b>NET CASH FROM OPERATING ACTIVITIES (A)</b>	<b>85,68,293</b>	<b>1,50,94,184</b>
<b>B) CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of Investments	(5,90,24,440)	(6,93,80,260)
Sale of Investments	5,31,03,289	6,38,09,119
Dividend Received	2,95,493	3,35,784
<b>NET CASH FROM INVESTING ACTIVITIES (B)</b>	<b>(56,25,658)</b>	<b>(52,35,357)</b>
<b>C) CASH FLOW FROM FINANCING ACTIVITIES</b>		
Dividend paid	-	(1,56,78,438)
Increase (Decrease) in Bank Borrowings	(20,99,404)	20,99,404
<b>NET CASH FROM FINANCING ACTIVITIES (C)</b>	<b>(20,99,404)</b>	<b>(1,35,79,034)</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS (A) + (B) + (C)</b>	<b>8,43,231</b>	<b>(37,20,207)</b>
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	3,41,809	40,62,016
Cash and Cash Equivalents at the End of the Year	11,85,040	3,41,809
<b>COMPONENTS OF CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>		
Current Account with Banks	11,85,040	3,41,809
Cash, Stamps and Stamp Papers on Hand	-	-

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

Chennai  
20th May, 2008

**G Sundararajan**

**M Ramaswamy**

Directors