

Board of Directors

S Viji	Chairman
S Ram	
S Narayanan	
A Rangaswami	
S Padmanabhan	
T R Seshadri	
G K Raman	Wholetime Director
T T Srinivasaraghavan	Managing Director
Srinivas Acharya	Deputy Managing Director

Audit Committee

S Padmanabhan	Chairman
A Rangaswami	
S Viji	

Share Transfer & Investor Relations Committee

S Padmanabhan	Chairman
A Rangaswami	
T T Srinivasaraghavan	

Asset Liability Management Committee

T T Srinivasaraghavan	Chairman
Srinivas Acharya	
S Venkatesan	
A N Raju	
M Ramaswamy	

Company Secretary

S Venkatesan	Executive Director (Finance) & Secretary
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Auditors

M/s. Brahmaya & Co., Chennai	Chartered Accountants
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Systems Auditors

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

21, Patullos Road, Chennai - 600 002
Tel: 044 2852 1181, Fax: 044 2858 6641

Website : www.sundaramfinance.in

Senior Management

S Venkatesan	Executive Director (Finance) & Secretary
P S Raghavan	Executive Director (Operations)
A N Raju	Executive Director (Operations)
Paramesh Krishnaier	Sr. Vice President (Operations)
K Swaminathan	Sr. Vice President(Sundaram Infotech Solutions)
M Ramaswamy	Sr. Vice President (Finance & Accounts)
Harsha Viji	Sr. Vice President (Special Projects)
G C Rangan	Vice President (Operations)
S Ravindran	Vice President (Operations)
P Viswanathan	Vice President & Deputy Secretary
J Raghunathan	Vice President (Sundaram Infotech Solutions)
S Sivakumar	General Manager (Operations)
S Srinivasan	General Manager (Operations)
T S Venkataraman	General Manager (Operations)
M J Kulkarni	General Manager (Operations)
S Ramachandran	General Manager (Audit)
K Manivannan	General Manager (Training)
S Santhanam	General Manager (Sundaram Business Services)
Venkatesh Kumaraswami	General Manager (Sundaram Business Services)
K Sankara Kumar	General Manager (Distribution)

Subsidiaries

Sundaram BNP Paribas Asset Management Company Limited	Sundaram Finance Distribution Limited
Sundaram Home Finance Limited	LGF Services Limited
Royal Sundaram Alliance Insurance Company Limited	Sundaram Infotech Solutions Limited
Sundaram BNP Paribas Trustee Company Limited	Sundaram Business Services Limited

Bankers

State Bank of India	Bank of India
State Bank of Travancore	Syndicate Bank
State Bank of Hyderabad	UCO Bank
State Bank of Saurashtra	HDFC Bank Ltd
State Bank of Patiala	IDBI Bank Ltd
Indian Overseas Bank	Standard Chartered Bank
Indian Bank	Canara Bank
United Bank of India	ABN-Amro Bank N.V.
The Hongkong and Shanghai Banking Corporation Limited	Citibank N.A.

Debenture Trustee

Indian Overseas Bank
Merchant Banking Division
763, Anna Salai, Chennai 600 002

CURRENCY EQUIVALENTS

Rs. One Million	=	Rs. 10 Lakhs	US\$ 1 = Indian Rs.44.6150 *
Rs. One Billion	=	Rs. 100 Crores or Rs. 10,000 Lakhs	* Foreign Exchange Dealers' Association of India Rate as on 31.03.2006

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SUNDARAM FINANCE
Enduring values. New age thinking.

A member of the



International Finance & Leasing Association

Directors' Report

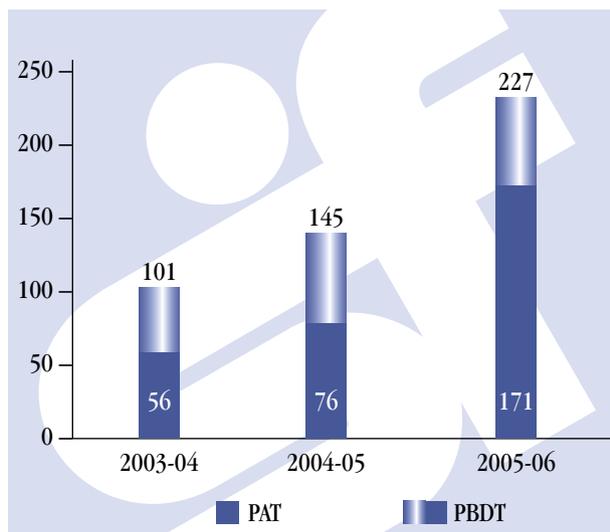
Your directors have pleasure in presenting the 53rd Annual Report with audited accounts for the year ended 31st March 2006. The summarised financial results of the Company, are given hereunder:

FINANCIAL RESULTS:

(Rs. in Cr.)

Particulars	Year ended March 31, 2006	Year ended March 31, 2005
Income		
Income from Operations	483.98	441.61
Profit on Sale of Shares in Subsidiary Companies	88.13	–
Other Income	23.74	17.48
Total (A)	595.85	459.09
Expenditure		
Financial Expenses	261.94	214.84
Establishment, Administrative and Other Expenses	99.46	94.19
Provisions and Write Off	7.24	5.51
Depreciation	18.40	22.16
Total (B)	387.04	336.70
Profit before Tax (A) – (B)	208.81	122.39
Less: Taxation	38.22	46.40
Profit after Tax	170.59	75.99
Surplus brought forward	27.99	35.13
Amount available for appropriation	198.58	111.12
Appropriations have been made as under:		
Transfer to Special Reserve	7.50	13.00
Transfer to Statutory Reserve	34.20	15.20
Transfer to General Reserve	85.34	30.00
Dividend (Proposed) – Final	23.61	21.87
– Special	13.89	–
Dividend Tax	5.26	3.06
Surplus carried to balance sheet	28.78	27.99
	198.58	111.12

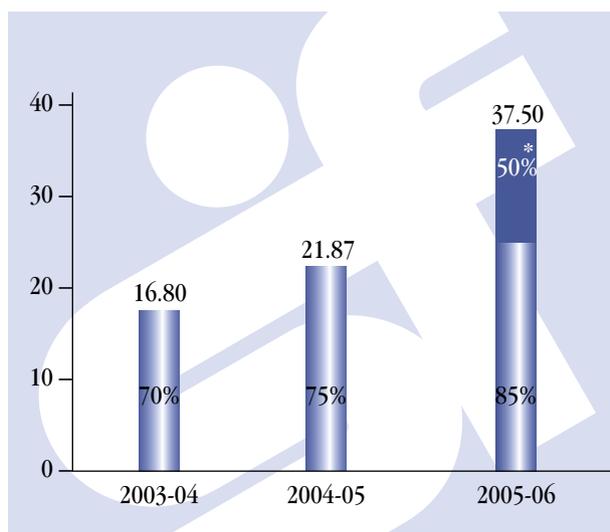
Profit (Rs. in Cr.)



DIVIDEND

Your directors are happy to recommend a dividend of 85% for the financial year 2005-06 and an additional special dividend of 50%, thus making a total dividend of 135% on the paid-up capital of Rs. 27.78 cr., for the year ended 31st March 2006. The dividend together with dividend tax of Rs. 5.26 cr. absorbs a sum of Rs. 42.76 cr.

Dividend (Rs. in Cr.)



* special dividend

RATING

Deposits

Your Company continues to enjoy the FAAA/stable rating from CRISIL indicating that the degree of safety regarding timely payment of interest and principal is very strong and MAAA/Stable rating from ICRA signifying the highest degree of safety for depositors' funds. Investor Relation Services – Deposits enjoys the ISO 9001:2000 certification by Bureau Veritas Quality International (BVQI).

Term Funding

Your Company continues to enjoy the MAAA/Stable rating from ICRA for its medium term debentures, signifying highest degree of safety. During the year, ICRA / CRISIL have assigned a rating of AA+/Stable for long term debentures signifying high degree of safety. Similarly, it enjoys the highest ratings of "A1+" from ICRA and "P1+" from CRISIL for its short-term debt programme.

AWARDS AND RECOGNITIONS

Your company's IT division, Sundaram Infotech Solutions (SIS) was accorded the Microsoft Gold Certified Partner status with Microsoft Business Solutions competency, only the second Indian company to be so recognised in this area.

SIS also achieved ISO/IEC 27001:2005 certification for its Information Security Management System.

CORPORATE GOVERNANCE

- Your Company has been practising exemplary Corporate Governance since its inception. A detailed report on corporate governance, together with a certificate from the Statutory Auditors in compliance with Clause 49 of the Listing Agreement, is attached, forming part of this report.
- Compliance reports of all laws applicable to the Company together with steps taken by the company to rectify instances of non-compliance have been reviewed by the Board of Directors.

MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW

The Indian Economy registered another year of impressive growth during 2005-06, with GDP growth climbing to 8.4%, from 7.5% in 2004-05, owing largely to sustained growth in the industry and services sectors and a growing world economy, despite record high crude oil prices. Another positive feature was that the growth was accompanied by continued maintenance of relative price stability. Agricultural growth has been estimated at 3.9%, reviving from a low of 0.7% in 2004-05, thanks to a near normal monsoon. Industrial output improved during 2005-06 mainly due to acceleration of growth in the manufacturing sector, which has been estimated at 9%. Sustained expansion in domestic as well as export demand, increased capacity utilisation and improved customer confidence were some of the key factors for the improvement in the manufacturing sector. The services sector continued to perform impressively, clocking a growth of 10.1%.

The country's balance of payments position remained comfortable during the year. Exports are estimated to have increased by 24.7%, in dollar terms, while imports grew by 31.5%. Notwithstanding the sharply higher international crude prices, significant outflows on redemption of the India Millennium Bonds and a widening current account deficit, India's foreign exchange reserves increased by USD 10.1 billion, from USD 141.5 billion as at end-March 2005 to USD 151.6 billion as at end-March 2006.

The inflationary situation remained benign, despite high crude oil prices, partially due to the incomplete pass-through of increases in international oil prices into the domestic economy. The average inflation, based on movement in the wholesale price index (WPI) stood at 4% compared to 5.1% in the previous year. The Fiscal deficit has been estimated at 4.1%, lower than the budgeted level of 4.3%, mainly on account of a reduction in the revenue deficit, a decline in capital outlay and proceeds from disinvestments.

For the second year in succession, the demand for bank funds exceeded deposit mobilisation. Combined with the IMD redemption, this resulted in strained liquidity, especially in the last quarter of the financial year, pushing interest rates up by as much as 100 basis points between January and March. One year G Sec yields stood at 6.54% as at end-March 2006, as against 5.84% a year ago. The capital markets remained buoyant and leading stock market indices touched record highs during the year.

AUTOMOTIVE SECTOR

The automotive sector recorded modest growth during the year. Sales of medium and heavy commercial vehicles registered a growth of 4.5%, significantly lower than the growth rates of the past three years. Sales of Light commercial vehicles grew by 19.4% (PY - 22%), driven significantly by growth in the "sub 3.5 tonne" category. Sales of cars and multi-utility vehicles grew by 7.7% (PY - 18%) during the year. After three years of high growth rates, the automotive industry would appear to have slipped into lower gear, notwithstanding the easy availability of low cost finance for most part of the year.

REGULATORY

The Reserve Bank of India (RBI) has been continually strengthening the supervisory framework for NBFCs in order to ensure sound and healthy functioning and avoid excessive risk taking. In furtherance of these objectives, RBI issued several new guidelines during the year:

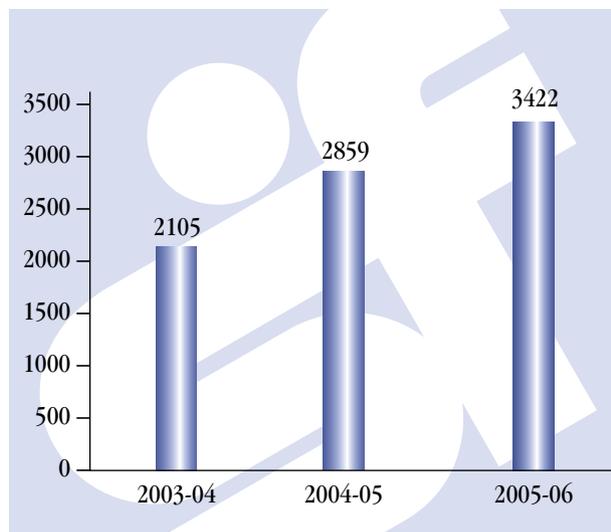
- 1) Know Your Customer Guidelines – Anti-Money Laundering Standards.
- 2) Guidelines on classification, monitoring and reporting of frauds.
- 3) Guidelines on Securitisation of Standard Assets.

OPERATING & FINANCIAL PERFORMANCE

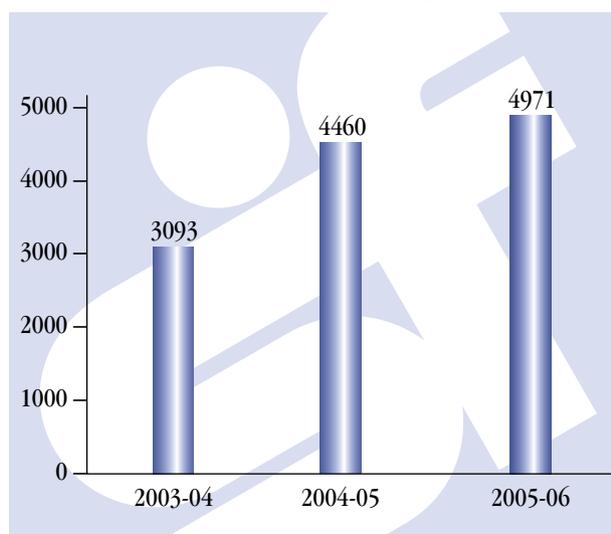
Your Company recorded hire purchase and loan disbursements of Rs.3422 cr. during the year, as against Rs.2859 cr. in the previous year, registering a growth of 20%. This translates to a Compounded Annual Growth Rate of 30.72% over the last 3 years. The gross receivables of the company, as at 31st March 2006, stood at Rs. 4971 cr. as against Rs.4460 cr. in the previous year.

Your Company's continuing emphasis on quality has ensured that the performance of the core retail portfolio remained excellent, with gross and net NPAs standing at 0.43% (PY - 0.53%) and 0.35% (PY - 0.39%) respectively, probably the best in the industry. While constantly exploring new opportunities and expanding into newer geographies, your company's adherence to its core philosophy of building sustainable, long term relationships has ensured that growth is never achieved at the cost of quality. On an overall basis, standard assets stood at 98.42% and net NPAs stood at 0.80% of total business assets as on 31.03.2006 as against 98.49% and 0.45% respectively in the previous year.

Hire Purchase and Hypothecation Loan Disbursements (Rs. in Cr.)



Receivables (Rs. in Cr.)

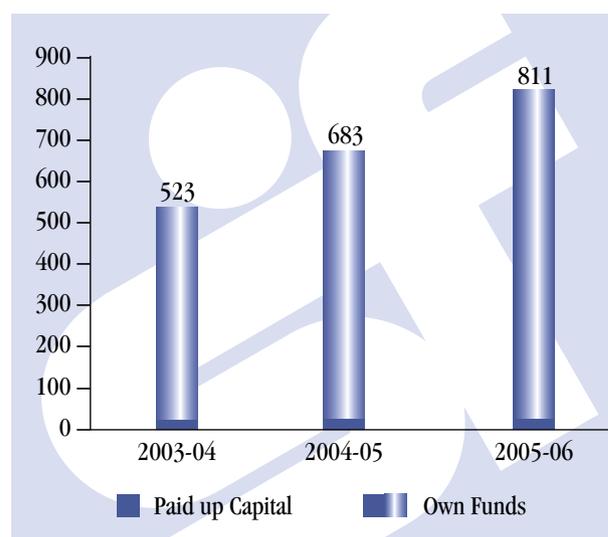


Gross income for the year from hire purchase, hypothecation loans and leasing grew by 9% over last year. With growth rates in the automotive sector slowing down, competition for the available business continued to be acute. Consequently, margins were under severe pressure for most part of the year. However, with liquidity tightening towards the end of the year, lending rates moved up marginally. Establishment and administrative expenses have been

consistent with the growth in business. Your Company continues to focus on new opportunities to improve profitability.

The net profit for the year was Rs. 170.59 cr. (PY - Rs.75.99 cr.) of which Rs.88.13 cr. was on account of the divestment of 49.90% shareholding in Sundaram Asset Management Company Ltd. in favour of BNP Paribas Asset Management Group, France. Net profit from ongoing operations for the year was Rs. 82.46 cr. The company's net-worth stood at Rs. 810.83 cr. as on 31.3.2006, while Capital Adequacy (CRAR) at 13.75% was comfortably higher than the statutory requirement of 12%.

Own Funds (Rs. in Cr.)



RESOURCE MOBILISATION

a) Deposits

Your Company mobilised fresh deposits during 2005-06 aggregating to Rs.61.27 cr. Renewal of deposits matured during the year amounted to Rs.238.73 cr., representing 63% of the matured deposits. Deposits outstanding at the year-end were at Rs.627.98 cr. and the number of depositors exceeded 268000.

As at the year-end, 4542 deposit receipts amounting to Rs. 10.70 cr., had matured for payment and were due to be claimed or renewed. After close follow-up of repayments/renewals, the figures are currently down to 2533 and Rs.5.19 cr. respectively. Steps are continuously being taken to arrange for repayment/renewal of these deposits.

b) **Term Funding**

During the year, your Company raised term funding in the form of non-convertible debentures and term loans to the tune of Rs.1137 cr., across various tenors.

c) **Bank Finance**

Your Company's bankers continued to extend their support, providing both Rupee and Foreign Currency loans at competitive rates. Your Company raises Commercial Paper at competitive rates. Your Company issued commercial papers aggregating to Rs.410 cr., during the year. The maximum amount outstanding at any time was Rs.405 cr., and the amount outstanding at the end of the year was Rs.300 cr.

The working capital credit limits of your Company stood at Rs.1400 cr. at the end of the year.

d) **Asset Securitisation**

During the year, your Company securitised hire purchase and hypothecation loan assets to the tune of Rs. 230.48 cr.

e) **Sell down of Receivables**

During the year, your Company sold hire purchase/hypothecation loan receivables to the extent of Rs. 392.45 cr.

BUSINESS OUTLOOK

RBI, in its Annual Monetary Policy for 2006-07, did not raise any of the key interest rates, nor did it lower the Cash Reserve Ratio (CRR) requirements for banks, contrary to market expectations. The major thrust of the Governor's statement was on credit quality and some concerns on asset prices, notably in the real estate sector. Consequently, RBI has hiked the provisioning requirements for banks on standard advances in commercial real estate loans, personal loans and residential housing loans above Rs.20 lakhs, to 1% from the earlier 0.4%. There is a similar increase in the provisioning requirements for loans and advances which are in the nature of capital market exposures. Additionally, the risk weightage on loans to the commercial real estate segment has been increased from 125% to 150%.

While the risks associated with the housing and real estate financing segments are vastly different from those in automobile financing, risks have increased in the latter as well. The decline in growth rates witnessed in 2005-06, is unlikely to be reversed in the current year. While the Hon. Supreme Court's order on overloading of trucks

resulted in a flurry of buying during the latter part of the previous year, it was largely in the nature of a one-time correction, unlikely to be repeated. With a hike in prices of petroleum products seeming imminent, the outlook for the automotive sector could be muted. Viewed in this backdrop, competition for the available business is likely to be intense, accompanied by practices that would likely worsen the risk equation.

The recent developments in the stock markets would appear to have slightly dampened the earlier buoyancy and optimism in the economy. The overall outlook for the manufacturing and services sectors, however, continues to be positive, while agricultural growth continues to depend heavily on the monsoon. In a global environment of rising interest rates and high oil prices, growth expectations may need to be tempered. The earlier projections of a 7.5-8% GDP growth and inflation in the range of 5-5.5% could come under pressure in the wake of recent global developments.

Your Company continues to remain focussed on its chosen market segments of Commercial Vehicles and passenger car financing and intends to further strengthen its position in the retail financing segment. The strength of customer relationships, built over several decades, and the quality and speed of customer service have earned for your company a unique position in the market. This, to a large extent, has enabled the company to not only retain its customers but also acquire a large number of new customers across the country. The company today serves its customers through a nationwide network of over 170 offices and 2000 people.

Your company's distribution arm, Sundaram Direct, has made significant strides during the year. It distributes a wide range of financial services and products and represents as many as 34 different principals in areas ranging from home loans to insurance and fleet card financing to mutual funds. With over 900 trained and dedicated salespeople and a presence in over 300 locations, Sundaram Direct is poised to reach out to each and every constituent of the large and growing family of Sundaram Finance customers.

Your company's IT and BPO divisions, continue to expand in new geographies, including the US market. Several initiatives, including Six Sigma, have been commenced to ensure the highest levels of process and quality excellence. While continuing to strengthen their domestic business, they are making steady progress in securing offshore customers as well. Several new projects are in advanced stages of discussion and are likely to be finalised during the year.

INTERNAL AUDIT

Your Company's internal audit department undertakes a comprehensive audit of all business groups and functional areas. It conceptualises and implements effective systems of internal controls and also ensures that the operating departments are in compliance both with internal policies and procedures as well as regulatory, legal and statutory requirements. It makes a periodic review of all the control measures in conjunction with the statutory auditors and recommends improvements, wherever appropriate. The department functions under the direct supervision of the Managing Director and reports to the Audit Committee of the Board, which regularly reviews the audit findings as well as the adequacy and effectiveness of the internal control measures. Additionally, the security policies and effective functioning of all major systems are monitored on a regular basis by the systems auditors, in co-ordination with the information technology co-ordination team. Improvements in processes and controls are an ongoing effort and the internal audit function is fully geared to meet the challenges that are an inevitable part of rapidly changing business requirements.

RISK MANAGEMENT

Over the years, your Company has achieved an appropriate balance between risk and returns by setting up an efficient risk mitigation system to meet various forms of financial and other risks. The primary risks that the company is exposed to are, credit risk, market risk and operational risk. Deriving from the long years of experience in retail auto financing, your company's credit policy framework is designed to provide the right balance between business growth and portfolio quality. The company's philosophy of not outsourcing the credit appraisal process has ensured that credit filters are uniformly applied by experienced and well-trained employees. The consistently low levels of delinquency and credit losses in the portfolio bear ample testimony to this. The Asset Liability Management Committee (ALCO), functioning under the supervision of the Audit Committee, lays down policies and tolerance levels that involve assessment of various types of risks and altering the asset-liability portfolio in a dynamic way, in order to manage such risks. Liquidity and interest rate risks, within the limits laid down by the board, are constantly monitored by the ALCO. The Risk Management framework is dynamic and will continue to evolve in line with the emerging risk perceptions.

HUMAN RESOURCES

Your Company has grown over the years due to its strong identification with its customers, which has enabled it to understand their needs and satisfy them in the best possible manner. This is largely attributable to the unstinting and dedicated efforts of the nearly 2000 strong 'Team Sundaram', which has ensured a high degree of customer satisfaction over the five decades of the company's existence.

In its ongoing endeavour to maintain excellence in quality and customer service delivery, your Company has put in place a comprehensive performance evaluation system, ensuring that remuneration and rewards are strongly performance linked. Your Company remains committed to the development of employee skills. To this end, specialised training programmes are conducted on a regular basis in managerial and technical areas, as well as in areas such as personality development, selling techniques, customer handling, stress management, fitness and relaxation, at the well-equipped Sundaram Finance Training Centre in Chennai. Training and skills development are at the core of the company's HR practices.

CONSOLIDATED FINANCIAL STATEMENTS

The Consolidated Financial Statements, drawn up in accordance with the applicable Accounting Standards, form part of the Annual Report.

In view of this and in accordance with the approval granted by the Central Government under section 212(8) of the Companies Act, 1956, the Balance Sheet, Profit and Loss Account, Report of the Board of Directors and Report of the Auditors of the Subsidiary Companies have not been attached to the Balance Sheet of your Company. The financial information relating to all the Subsidiary Companies, in the aggregate, has been disclosed in the consolidated financial statements, as required by the Central Government as part of its approval. Further,

- The annual accounts together with the documents/details relating to all the Subsidiary Companies have been posted by your Company on its website – www.sundaramfinance.in.
- The annual accounts of the Subsidiary Companies and related detailed information will be made available to the members upon request.

- Annual accounts of the Subsidiary Companies will be available for inspection by the members, at the head offices of the Company and the Subsidiary Company concerned.

SUBSIDIARIES

Sundaram Home Finance Limited (SHFL)

SHFL, in its seventh year of operation, approved loans aggregating to Rs.486.51 cr., while disbursements amounted to Rs. 434.69 cr. The Company earned a gross income of Rs.93.38 cr. as against Rs.73.30 cr. in the previous year and reported a profit after tax of Rs.5.86 cr. as against Rs.4.01 cr. in the previous year. The loan portfolio as at 31st March 2006 stood at Rs.998.71 cr. as against Rs. 868 cr. in the previous year.

Sundaram Asset Management Company Limited

Sundaram Asset Management Company Limited earned a gross income of Rs.20.35 cr. as against Rs. 13.43 cr. in the previous year. The overall Assets Under Management amounted to Rs.3278 cr. as on 31.3.2006, as against Rs.1860 cr. at the end of the previous year. The gross mobilisation under the various schemes of Sundaram Mutual Fund (SMF) during the year amounted to Rs.9412 cr.

During October 2005, your company entered into a joint venture with BNP Paribas Asset Management (BNP PAM), France, a wholly-owned subsidiary of BNP Paribas and a major player in fund management and distribution. In accordance with the JV agreement, your company transferred 49.9% of its holdings in Sundaram Asset Management Company Limited and Sundaram Finance Trustee Company Limited respectively to BNP PAM. Consequently, the name of the Asset Management Company has been changed to Sundaram BNP Paribas Asset Management Company Limited. Further, BNP PAM has been inducted as a co-sponsor of Sundaram Mutual Fund and the name of the Mutual Fund has been changed to Sundaram BNP Paribas Mutual Fund.

During the year, SMF launched four new schemes, of which Sundaram CAPEX Opportunities Fund, Sundaram Value Plus and Sundaram Fixed Term Plan mobilised a sum of Rs. 796 cr. Sundaram Rural India Fund, launched in March 2006, mobilised a sum of Rs. 1222 cr. from 1.60 lakh applicants. The commendable performance of Sundaram Mutual schemes attracted considerable investor interest.

Sundaram Finance Trustee Company Limited (SFTCL)

SFTCL earned a gross income of Rs. 25.95 lakhs as against Rs. 19.27 lakhs in the previous year and reported a profit after tax of Rs. 3.64

lakhs for the year, as against Rs. 2.42 lakhs in the previous year. Consequent to the transfer of 49.9% of the holdings of your company in SFTCL to BNP PAM, the name of the Trustee Company has been changed to Sundaram BNP Paribas Trustee Company Limited.

Royal Sundaram Alliance Insurance Company Limited (Royal Sundaram)

Notwithstanding the extensive damage caused by the rains in Mumbai and in several parts of Tamil Nadu, Royal Sundaram reported a net profit of Rs. 8.63 cr. for the year, as against Rs. 5.01 cr. in the previous year. The Company registered a 39% increase in gross premium at Rs.458.64 cr. as against Rs.330.70 cr. in the previous year and earned an investment income of Rs.21.13 cr. as against Rs. 13.48 cr. in the previous year.

Sundaram Finance Distribution Limited (SFDL)

During the year, SFDL earned a gross income of Rs. 220.51 lakhs, through distribution of insurance products, mutual funds and other financial products, as against Rs.124.69 lakhs in the previous year. The profit after tax was Rs.100.30 lakhs as against Rs.18.87 lakhs in the previous year. The company declared a maiden dividend of 100% for the financial year ended 31st March 2006.

During the year, the paid-up capital of the company was reduced from Rs. 150 lakhs divided into 15,00,000 equity shares of Rs. 10/- each to Rs. 50 lakhs divided into 5,00,000 equity shares of Rs. 10/- in accordance with Sections 100 to 105 of the Companies Act, 1956, pursuant to the Order dated 23rd December 2005 passed by the Honourable High Court of Judicature at Madras.

LGF Services Limited

In its second year of operation, LGF Services Limited earned a gross income of Rs. 278.97 lakhs through distribution of insurance products, as against Rs.65.71 lakhs in the previous year. The profit after tax was Rs. 92.64 lakhs as against Rs. 27.60 lakhs in the previous year. The company declared a dividend of Rs.100.00 per share for the financial year ended 31st March 2006.

Sundaram Infotech Solutions Limited (SISL)

SISL was incorporated during July 2005 to carry on the business pertaining to IT Services. The company has achieved some early successes in both off-shore and on-site assignments and has earned a gross income of Rs. 326.90 lakhs for the period ended 31st March 2006.

Sundaram Business Services Limited (SBSL)

SBSL was incorporated during August 2005 to undertake activities relating to business process outsourcing and allied operations. The

company has initiated steps to position itself in the BPO segment in both local and overseas markets by way of strategic partnerships and joint ventures.

DIRECTORS

Sarvasri S. Narayanan, S. Padmanabhan and Srinivas Acharya retire by rotation and, being eligible, offer themselves for re-election. Necessary resolutions are submitted for your approval.

AUDITORS

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

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. During 2005-06, expenditure in foreign currencies amounted to Rs. 10.65 cr., on account of interest and other charges. Foreign Currency earnings amounted to Rs. 2.95 cr.

PERSONNEL

In accordance with the provisions of Section 219(1)(b)(iv) of the Companies Act, 1956, the Directors' Report is being sent to all the shareholders of the Company excluding the annexure prescribed under Section 217(2A) of the Companies Act. The said annexure, setting out the names and other particulars of employees, is available for inspection by the Members at the Registered Office of the Company during office hours till the date of the Annual General Meeting, viz. 03.08.2006.

DIRECTORS' RESPONSIBILITY STATEMENT

Your directors confirm:

1. That in the preparation of the annual accounts, the applicable accounting standards have been followed;
2. that they have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent, so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that period;
3. that they have taken proper and sufficient care for the maintenance of adequate accounting records, in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
4. that they have prepared the annual accounts on a going-concern basis.

ACKNOWLEDGEMENT

Your directors gratefully acknowledge the support and co-operation extended by all the shareholders, depositors, customers, vehicle manufacturers, dealers, bankers and mutual funds to your Company during the year and look forward to their continued support.

Your directors also place on record their appreciation of the dedication and commitment displayed by the employees of the Company, thus enabling it to register a good performance.

For and on behalf of the Board

Chennai 600 002
31st May 2006

S VIJI
Chairman

Financial Highlights

(Rs. in Cr.)

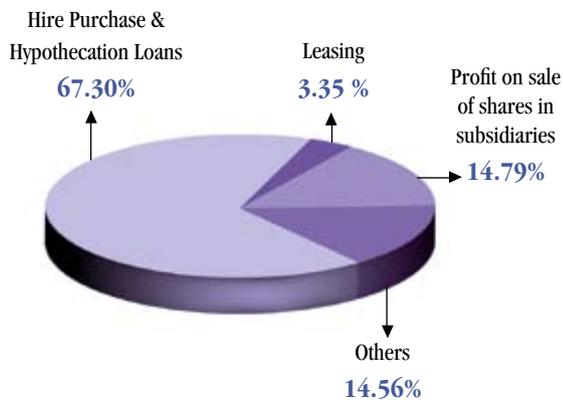
Year	Paid-up Capital	Reserves	Deposits	Total Receivables	PBDT	PAT	Dividend %	Dividend Amount
1954	0.02		0.10	0.10				
1972	1.00	0.58	8.35	9.86	0.73	0.30	16.00	0.16
1976	1.50	0.99	13.57	19.87	1.78	0.67	16.00	0.24
1978	2.00	1.37	14.65	27.18	2.01	0.77	18.00	0.36
1982	3.00	3.00	45.20	76.60	4.28	1.58	20.00	0.60
1986	6.00	6.59	104.10	184.66	10.35	2.67	16.00	0.96
1990-91	12.00	30.24	201.02	483.21	34.69	12.01	25.00	3.00
1995-96	24.00	204.31	550.44	1637.05	127.50	64.92	35.00	8.40
2001-02	24.00	411.67	752.88	2258.59	188.59	40.36	60.00	14.40
2002-03	24.00	462.57	744.11	2669.91	81.57	45.66	75.00*	18.00
2003-04	24.00	499.24	717.29	3093.32	101.07	55.62	70.00	16.80
2004-05	27.78	655.22	740.25	4459.60	144.55	75.99	75.00	21.87
2005-06	27.78	783.06	627.98	4971.29	227.21	170.59	135.00#	37.50

* includes 15% Special Golden Jubilee Dividend

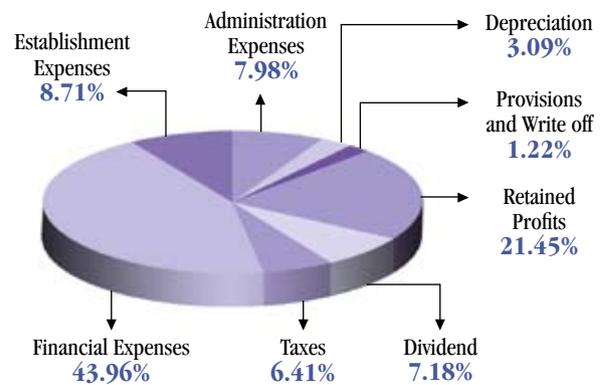
includes 50% Special Dividend

SOURCES AND DISTRIBUTION OF INCOME (2005 - 06)

Rs. 595.85 cr.



SOURCES



DISTRIBUTION

Auditors' Report

To The Members of M/S. Sundaram Finance Limited

1. We have audited the attached Balance Sheet of M/s. Sundaram Finance Limited, Chennai (the company) as at 31st March 2006, the Profit and Loss Account and the Cash Flow Statement 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 whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 as amended by the Companies (Auditor's Report) (Amendment) Order, 2004 (together the 'order') issued by the Central Government in terms of sub-section (4A) of section 227 of the Companies Act, 1956 (the Act), we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above, we report that:
 - i) we have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit.
 - ii) in our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books.
 - iii) the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account.
- iv) in our opinion, the Balance Sheet, Profit and Loss Account and 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) 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.

For BRAHMAYYA & CO.,
Chartered Accountants

L. RAVI SANKAR
Partner

Place : Chennai
Date : 31st May, 2006

Membership No.25929

Annexure To The Auditors' Report Referred to in Paragraph 3 of our Report of Even Date

1. a) The company is maintaining proper records showing full particulars, including quantitative details and situation of fixed assets.
- b) The company has a phased programme of physical verification of fixed assets, which in our opinion, is reasonable having regard to the size of the company and nature of fixed assets. In accordance with the programme, the fixed assets have been physically verified by the management during the year. The discrepancies noticed on such verification were not material and have been properly dealt with in the books of account.
- c) Fixed assets disposed off during the year were not substantial and therefore does not affect the going concern assumption.
2. a) 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.
- b) i) The company has granted unsecured loans to three companies covered in the register maintained under section 301 of the Act. The maximum amount involved during the year was Rs.1860.30 lakhs. The balance outstanding at the end of the year was Rs.1815.85 lakhs.
- ii) The rate of interest and other terms and conditions of the loan are, prima facie, not prejudicial to the interest of the company.
- iii) The payment of interest and the repayment of principal are regular.
- iv) There is no amount overdue on the loans.
- v) Apart from the above, the company has not granted loans to 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 purchases of fixed assets and sale of goods and services. During the course of our audit, no major weakness has been noticed in the above 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 in the register maintained under that section have been so entered.
- b) In our opinion, according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements entered in the register maintained under section 301 of the Act and exceeding the value of rupees five lakhs in respect of any party during the year, prima facie, have been made at prices which are reasonable having regard to the nature of the service and the prevailing market prices at the relevant time.
5. In our opinion and according to the information and explanations given to us, the company has complied with the directives issued by Reserve Bank of India and the provisions of Section 58A, Section 58AA or any other relevant provisions of the Act, and the rules framed thereunder with regard to deposits accepted from the 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. a) According to the records of the company and the information and explanations given to us, undisputed statutory dues including provident fund, employee state insurance, income tax, wealth tax, service tax, sales tax, customs duty and excise duty were 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, wealth tax, service tax, sales tax, excise duty and cess which are outstanding as at 31st March, 2006 for a period of more than 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 wealth tax, customs duty, excise duty and cess which have not been deposited on account of dispute. Details of disputed income tax, sales tax and service tax not deposited are as follows:

Nature of dues	Amount (Rs. in lakhs)	Period to which the amount relates	Forum where the dispute is pending
Income Tax	440.62	Assessment year 2003-2004	Commissioner of Income Tax (Appeals)
Sales Tax	94.06	Assessment years 1997-98 to 2003-2004	Various appellate authorities
Service Tax	13.34	Assessment year 2003-2004	Commissioner (Appeals)

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. Based on our audit procedures and on the information and explanations given by the management, we are of the opinion that the company has not defaulted in repayment of dues to financial institutions, banks or debenture holders.
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 or society.
14. Based on our examination of records and the information and explanations given to us, the company does not deal/trade in shares, securities, debentures and other investments.
15. In our opinion and according to the information and explanations given to us, the company has not given guarantees for loans taken by others from banks and financial institutions.
16. To the best of our knowledge and belief and according to the information and explanations given to us, term loans availed by the company, prima facie, were applied by the company during the year for the purposes for which the loans were obtained, other than temporary deployment, pending application.
17. According to the cash flow statement and other records examined by us and the information and explanations given to us, on an overall examination of the balance sheet of the company, funds raised on short term basis, prima facie, have not been used during the year for long term investment.
18. According to the information and explanations given to us, the company has created securities in respect of secured debentures issued except two series of secured debentures of face value Rs.4900 lakhs in respect of which we have been informed that the security would be created within the permitted time.
19. The company has not raised money by public issues during the year.
20. To the best of our knowledge and according to the information and explanations given to us, during the year no fraud by the company and no material fraud on the company was noticed or reported during the course of our audit.
21. In our opinion and according to the information and explanations given to us, the nature of the company's business/ activities during the year have been such that clauses ii, xiii and xviii of paragraph 4 of the Companies (Auditors' Report) Order, 2003 are not applicable to the company for the year.

For BRAHMAYYA & CO.,
Chartered Accountants

L. RAVI SANKAR

Partner

Place : Chennai

Date : 31st May, 2006

Membership No.25929

Balance Sheet

as at 31st March, 2006

(Rs. in Lakhs)

		31.03.2006		31.03.2005	
I SOURCES OF FUNDS					
1. Shareholders' Funds					
a) Capital	1	27,77.60		24,00.00	
b) Share Capital Suspense Account	1A	—		3,77.60	
c) Reserves and Surplus	2	783,05.70	810,83.30	655,22.14	682,99.74
2. Loan Funds					
a) Secured Loans	3	3161,55.03		2325,96.24	
b) Unsecured Loans	4	1312,93.86	4474,48.89	1480,41.68	3806,37.92
Total	Total	5285,32.19		4489,37.66	
II APPLICATIONS OF FUNDS					
1. Fixed Assets	5				
a) Gross Block		527,75.49		587,17.67	
b) Less: Depreciation		382,48.48		420,60.25	
c) Net Book Value		145,27.01		166,57.42	
d) Add: Lease Adjustment Account		13,69.22		22,31.81	
e) Net Block			158,96.23		188,89.23
2. Investments	6		472,60.49		311,13.18
3. Deferred Tax Asset (Net)					
Deferred Tax Asset		22,59.19		24,17.44	
Less: Deferred Tax Liability		14,85.31	7,73.88	26,12.14	(1,94.70)
4. Current Assets, Loans and Advances					
a) Current Assets	7	652,14.76		588,65.73	
b) Loans and Advances	8	4331,20.14		3691,84.63	
	(A)	4983,34.90		4280,50.36	
Less: Current Liabilities and Provisions					
a) Current Liabilities	9	252,23.00		233,62.33	
b) Provisions	10	85,10.31		55,58.08	
	(B)	337,33.31		289,20.41	
Net Current Assets	(A-B)	4646,01.59		3991,29.95	
Total	Total	5285,32.19		4489,37.66	
Notes to the accounts	17				

As per our report of even date attached

For Brahmaya & Co.,
Chartered Accountants

L. Ravi Sankar
Partner

Chennai,
31st May, 2006

S. Viji
Chairman

T.T. Srinivasaraghavan
Managing Director

Srinivas Acharya
Deputy Managing Director

S. Venkatesan
Executive Director (Finance) & Secretary

S. Ram

S. Narayanan

A. Rangaswami

S. Padmanabhan

T.R. Seshadri
Directors

Profit and Loss Account for the Year Ended 31st March, 2006

	Schedule	2005-06	(Rs. in Lakhs) 2004-05
INCOME			
Income from Operations	11	483,98.26	441,60.74
Profit on Sale of Shares in Subsidiary Companies	—	88,12.64	—
Other Income	12	23,74.45	17,48.07
Total	(A)	<u>595,85.35</u>	<u>459,08.81</u>
EXPENDITURE			
Financial Expenses	13	261,94.26	214,83.91
Establishment Expenses	14	51,88.56	48,30.21
Administrative and Other Expenses	15	47,57.72	45,88.70
Provisions and Write Off	16	7,24.09	5,51.23
Depreciation		18,40.08	22,16.19
Total	(B)	<u>387,04.71</u>	<u>336,70.24</u>
Profit before Tax	(A) - (B)	<u>208,80.64</u>	<u>122,38.57</u>
Taxation			
— Current (Including Wealth Tax)		46,60.00	63,25.00
— Deferred		(9,68.58)	(16,85.58)
— Fringe Benefit Tax		1,30.00	—
Profit after Tax		<u>170,59.22</u>	<u>75,99.15</u>
Add:			
Balance brought forward from the previous year		27,98.95	26,58.77
On Amalgamation of Lakshmi General Finance Limited		—	8,54.11
Amount available for Appropriation		<u>198,58.17</u>	<u>111,12.03</u>
APPROPRIATIONS			
Dividend			
— Interim		—	17,70.35
— Final (proposed)		23,60.96	4,16.64
— Special (proposed)		13,88.80	—
— Dividend Tax		5,25.90	3,06.09
Special Reserve		7,50.00	13,00.00
Statutory Reserve		34,20.00	15,20.00
General Reserve		85,33.92	30,00.00
Surplus - Balance carried to Balance Sheet		28,78.59	27,98.95
		<u>198,58.17</u>	<u>111,12.03</u>
Notes to the Accounts			
Earnings per Equity Share (Refer Note 4.3 Schedule 17)	17		
Number of Shares considered (Face Value Rs.10/- per share)		2,77,75,965	2,77,75,965
Basic and Diluted earnings per share (in Rupees)		61.42	27.36

As per our report of even date attached

S. Viji
Chairman

T.T. Srinivasaraghavan
Managing Director

S. Ram

For Brahmaya & Co.,
Chartered Accountants

S. Narayanan

L. Ravi Sankar
Partner

Srinivas Acharya
Deputy Managing Director

A. Rangaswami

S. Padmanabhan

Chennai,
31st May, 2006

S. Venkatesan
Executive Director (Finance) & Secretary

T.R. Seshadri
Directors

SCHEDULES

(Rs. in Lakhs)

	31.03.2006		31.03.2005	
1 Share Capital				
Authorised				
10,00,00,000 Equity Shares of Rs.10/- each	100,00.00		100,00.00	
Issued, Subscribed and fully paid-up	27,77.60		24,00.00	
2,77,75,965 Equity Shares of Rs.10/- each (includes 2,31,99,580 Equity Shares allotted as fully paid-up by way of bonus shares by capitalisation of Reserves and 37,75,965 Equity shares of Rs.10/- each allotted for consideration other than cash pursuant to a Scheme of Amalgamation.				
1A Share Capital Suspense Account	-		3,77.60	
(represents 37,75,965 Equity shares of Rs.10/- each to be allotted to the shareholders of M/s. Lakshmi General Finance Limited (LGF), pursuant to the Scheme of Amalgamation sanctioned by the Hon'ble High Court of Madras)				
2 Reserves and Surplus				
Capital Reserve				
Per Last Balance Sheet	50,79.64		45,48.14	
Add: On Amalgamation of LGF	-	50,79.64	5,31.50	50,79.64
Securities Premium Account				
Per Last Balance Sheet	15,04.97		-	
Add: On Amalgamation of LGF	-	15,04.97	15,04.97	15,04.97
General Reserve				
Per Last Balance Sheet	384,66.08		300,00.00	
Add: On Amalgamation of LGF	-		59,00.00	
Less : Adjustment on Amalgamation of LGF	-		4,33.92	
Add: Transfer from Profit and Loss account	85,33.92	470,00.00	30,00.00	384,66.08
Statutory Reserve				
Per last Balance Sheet	131,22.50		94,67.50	
Add: On Amalgamation of LGF	-		21,35.00	
Add: Transfer from Profit and Loss account	34,20.00	165,42.50	15,20.00	131,22.50
Special Reserve				
Per Last Balance Sheet	45,50.00		32,50.00	
Add: Transfer from Profit and Loss account	7,50.00	53,00.00	13,00.00	45,50.00
Surplus - Balance in Profit and Loss account	28,78.59		27,98.95	
	783,05.70		655,22.14	
3 Secured Loans				
Non - Convertible Debentures	919,00.00		742,00.00	
From Scheduled Banks	2042,29.10		1383,63.82	
From International Finance Corporation	200,00.00		200,00.00	
From a Financial Institution	25.93		32.42	
	3161,55.03		2325,96.24	
4 Unsecured loans				
Fixed deposits				
From Directors	3,39.64		3,32.18	
From others	624,58.82	627,98.46	736,93.30	740,25.48
Non - Convertible Debentures		48,00.00		295,00.00
Debenture Application Money		120,00.00		-
Short term loans and advances				
From Scheduled Banks		216,95.40		120,16.20
Commercial Paper		300,00.00		325,00.00
	1312,93.86		1480,41.68	

SCHEDULES

(Rs. in Lakhs)													
DESCRIPTION	GROSS BLOCK AT COST				DEPRECIATION				Net Book Value	Balance in Lease Adjustment Account as at 31.03.2006	NET BLOCK		
	As at 31.03.2005	Additions	Deductions	As at 31.03.2006	Upto 31.03.2005	Additions*	Impairment	Deductions			Upto 31.03.2006	As at 31.03.2006	As at 31.03.2005
	5 Fixed Assets												
1 Freehold land and Buildings	58,65.13	21.22	2,01.15	56,85.20	6,45.71	1,20.45	—	5.70	7,60.46	49,24.74	—	49,24.74	52,19.42
2 Leasehold office / Residential Premises	15,69.92	—	2,53.11	13,16.81	6,03.98	47.46	—	62.32	5,89.12	7,27.69	—	7,27.69	9,65.94
3 Plant and Machinery	75,09.74	3,84.31	2,07.56	76,86.49	47,09.77	6,18.55	—	2,01.82	51,26.50	25,59.99	—	25,59.99	27,99.97
4 Vehicles	31,32.69	20,10.54	5,05.72	46,37.51	12,05.81	7,57.18	0.87	3,06.56	16,57.30	29,80.21	—	29,80.21	19,26.88
5 Furniture / Office Equipment	24,03.25	1,29.95	14.30	25,18.90	12,31.60	2,31.24	—	11.14	14,51.70	10,67.20	—	10,67.20	11,71.65
6 Assets on Finance Lease													
a) Plant and Machinery	146,44.88	—	47,64.25	98,80.63	120,02.36	4,25.42	—	38,62.85	85,64.93	13,15.70	(5,89.39)	7,26.31	19,15.26
b) Vehicles	229,24.92	—	23,49.61	205,75.31	212,96.81	4,95.25	—	19,79.82	198,12.24	7,63.07	19,72.92	27,35.99	46,64.30
c) Furniture / Office Equipment	4,32.09	—	1,94.46	2,37.63	2,90.33	8.03	—	1,50.34	1,48.02	89.61	(14.31)	75.30	64.64
7 Intangible Assets													
Computer Software	2,35.05	1.96	—	2,37.01	73.88	64.33	—	—	1,38.21	98.80	—	98.80	1,61.17
Total	587,17.67	25,47.98	84,90.16	527,75.49	420,60.25	27,67.91	0.87	65,80.55	382,48.48	145,27.01	13,69.22	158,96.23	188,89.23

* Finance Lease Depreciation of Rs.9,28.70 Lakhs has been netted off against Lease Income

SCHEDULES

(Rs. in Lakhs)

	Face Value (FV)	31.03.2006	31.03.2005
6 Investments			
Long Term - At Cost			
I In Government / Trust Securities			
Non Trade			
A Quoted:			
Government Securities			
Central Government Loans	7195.10	77,74.68	92,46.92
(Face Value of Rs.1355 lakhs sold / redeemed during the year)			
State Government Loans	35.00	35.00	1,35.19
(Face Value of Rs.100 lakhs sold / redeemed during the year)			
		78,09.68	93,82.11
B Unquoted			
Trust Securities			
Investment in Mutual Funds - Debt Schemes		77,00.00	35,00.00
(Details as per annexure)			
II In Equity Shares - Fully paid			
Quoted			
Wheels India Ltd.		8,38.14	8,38.14
13,33,741 Equity shares of Rs.10/- each			
Sundaram Clayton Ltd.		9.03	9.04
11,60,066 Equity shares of Rs.10/- each			
(1,600 Equity shares of Rs.10/- each sold during the year)			
India Motor Parts & Accessories Ltd.		2,79.26	2,79.26
7,35,392 Equity shares of Rs.10/- each			
Techtran Polylenes Ltd.		5.00	5.00
2,50,000 Equity shares of Rs.10/- each			
Tata Iron & Steel Co. Ltd.		–	10.34
(7,663 equity shares of Rs.10/- each sold during the year)			
Recron Synthetics Ltd		1,21.53	1,23.28
34,72,400 Equity Shares of Rs 10/- each			
(50,000 Equity shares of Rs.10/- each sold during the year)			
IDBI Ltd.		11.40	11.40
14,240 Equity Shares of Rs.10/- each			
		12,64.36	12,76.46
Unquoted:			
i) In Subsidiary Companies:			
Sundaram Home Finance Ltd*		58,50.00	58,50.00
5,25,00,000 Equity shares of Rs 10/- each			
Sundaram BNP Paribas Asset Management Co. Ltd. **		12,09.86	19,68.00
76,81,948 Equity shares of Rs.10/- each			
(1,66,948 equity shares of Rs.10/- each purchased on Rights basis and			
74,85,000 equity shares of Rs.10/- each sold during the year)			
Sundaram BNP Paribas Trustee Company Ltd**		2.51	5.00
25,050 Equity shares of Rs 10/- each			
(24,950 equity shares of Rs.10/- each sold during the year)			
		70,62.37	78,23.00
	Carried over		

* 3,57,00,000 shares are subject to a lock in period

** These shares are subject to a lock in period

SCHEDULES
6 Investments (contd.)

(Rs. in Lakhs)

	31.03.2006	31.03.2005
Brought over	70,62.37	78,23.00
Royal Sundaram Alliance Insurance Company Ltd 7,83,67,693 Equity shares of Rs.10/- each (55,97,693 equity shares of Rs.10/- each purchased on Rights basis during the year)	78,88.05	73,28.28
Sundaram Finance Distribution Ltd 5,00,000 Equity shares of Rs.10/- each (10,00,000 shares of Rs.10/- each reduced under a scheme of Capital Reduction approved by the Hon'ble High Court of Judicature at Madras)	65.18	1,65.18
LGF Services Ltd 50,000 Equity Shares of Rs.10/- each	5.00	5.00
Sundaram Infotech Solutions Ltd (10,00,000 Equity Shares of Rs.10/- each subscribed during the year)	1,00.00	—
Sundaram Business Services Ltd (50,000 Equity Shares of Rs.10/- each subscribed during the year)	5.00	—
ii) In Other Companies		
Brakes India Ltd. 79,730 Equity shares of Rs.100/- each	15.33	15.33
Axles India Ltd. 24,24,661 Equity shares of Rs.10/- each	2,68.99	2,68.99
Lucas-TVS Ltd. 63,224 Equity shares of Rs.100/- each	27.22	27.22
Delphi TVS Diesel Systems Ltd. 2,52,896 Equity shares of Rs.10/- each	18.15	18.15
Turbo Energy Ltd. 12,80,000 Equity shares of Rs.10/- each	1,88.41	1,88.41
Sundaram Dynacast Private Ltd. 11,70,000 Equity shares of Rs.10/- each	1,17.00	1,17.00
Transenergy Ltd. 30,000 Equity shares of Rs.100/- each	30.00	30.00
InFreight Technologies India Ltd 4,00,000 Equity shares of Rs 10/- each	40.00	40.00
NTTF Industries Ltd. 75,000 Equity shares of Rs.10/- each	15.00	15.00
Vishnu Forge Industries Ltd. 2,70,100 Equity shares of Rs.10/- each	43.22	43.22
Credit Investment Bureau (India) Ltd (6,25,000 Equity Shares of Rs.10 each acquired during the year)	1,25.01	—
Credit Analysis and Research Ltd. (5,00,000 Equity shares of Rs.10/- each sold during the year)	—	50.00
Tulya Alloy Casting Ltd. (1,200 Equity shares of Rs.10/- each sold during the year)	—	0.12
	160,13.93	161,34.90

SCHEDULES

(Rs. in Lakhs)

6 Investments (contd.)
III In Bonds/Debentures/Others
A) Non Trade - Quoted

Recron Synthetics Ltd 36,749 nos. of Zero Coupon Secured Redeemable Non-Convertible Debentures of Rs 100/- each	36.82	36.82
Recron Synthetics Ltd 93,131 nos. of Secured Redeemable Non-Convertible Bonds of Rs 100/- each	93.23	93.23

Non Trade - Unquoted

National Highways Authority of India (5.65%, 60,000 nos. of Non-Convertible Redeemable Taxable Bonds of Rs.10000/- each purchased during the year)	60,00.00	—
Rural Electrification Corporation Limited (5.65%, 20,000 nos. of Non-Convertible Redeemable Taxable Bonds Series V of Rs.10000/- each purchased during the year)	20,00.00	—

81,30.05	1,30.05
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Unquoted
B) Pass Through Certificate (net of provision)

PFSL - Sundaram Finance Ltd - Pass Through Certificates - April 2003	—	23.99
PFSL - Sundaram Finance Ltd - Pass Through Certificates - April 2004	67.68	1,65.67
IDBI - Sundaram Finance Ltd - Pass Through Certificates - July 2005	2,74.79	—

3,42.47	1,89.66
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Current Investments
In Trust Securities (Unquoted)

Sundaram Money Fund Super Institutional - Growth (4,42,15,787.87 units of Rs.10 each purchased and 1,03,12,884.85 units redeemed during the year)	50,00.00	—
Sundaram CAPEX Oppurtunities Fund - Growth (1,00,00,000 units of Rs.10 each purchased during the year)	10,00.00	—
Sundaram India Leadership Fund - Growth (50,00,000 units of Rs 10/- each redeemed during the year)	—	5,00.00

60,00.00	5,00.00
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SCHEDULES
6 Investments (contd.)

(Rs. in Lakhs)

SUMMARY OF INVESTMENTS
I In Government / Trust Securities

	31.03.2006	31.03.2005
A Quoted	78,09.68	93,82.11
B Unquoted - Long Term	77,00.00	35,00.00
C Unquoted - Current	60,00.00	5,00.00

II In Equity Shares

A Quoted	12,64.36	12,76.46
B Unquoted	160,13.93	161,34.90

III In Bonds / Debentures/ Others

A Quoted	1,30.05	1,30.05
B Unquoted	83,42.47	1,89.66

GRAND TOTAL

472,60.49	311,13.18
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Aggregate of quoted Investments - Long Term

	Cost 31.03.2006	MV*
Government / Trust Securities	78,09.68	75,70.75
Equity Shares	12,64.36	174,90.78
Bonds / Debentures	1,30.05	1,30.05
(A)	92,04.09	251,91.58

Aggregate of unquoted Investments - Long Term

Government / Trust Securities	77,00.00
Equity Shares	160,13.93
Bonds / Debentures/Others	83,42.47
(B)	320,56.40

Aggregate of unquoted Investments - Current

Trust Securities	60,00.00
Preference Shares	—
Bonds	—
(C)	60,00.00
GRAND TOTAL [A + B + C]	472,60.49

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

SCHEDULES

Annexure

Investment in Mutual Funds - Debt Schemes - Details

Name of the Fund	Face Value	Opening Balance as on 01/04/2005		Purchased during the year		Redeemed during the year		Closing Balance as on 31/03/2006	
		Units (Rs.)	Amount (Rs. in lakhs)	Units (in lakhs)	Amount (Rs.in lakhs)	Units (in lakhs)	Amount (Rs.in lakhs)	Units (in lakhs)	Amount (Rs.in lakhs)
Scheme: Fixed Maturity Plan									
1 Prudential ICICI Mutual Fund	10	40	4,00					40	4,00
2 UTI Mutual Fund	10	20	2,00	60	6,00			80	8,00
3 Birla Mutual Fund	10	1,05	10,50	60	6,00	65	6,50	1,00	10,00
4 Kotak Mutual Fund	10	40	4,00	30	3,00	10	1,00	60	6,00
5 SBI Mutual Fund	10	25	2,50					25	2,50
6 Reliance Mutual Fund	10	55	5,50	30	3,00	25	2,50	60	6,00
7 Tata Mutual Fund	10	40	4,00	65	6,50	40	4,00	65	6,50
8 Grindlays Mutual Fund	10	25	2,50	1,15	11,50	25	2,50	1,15	11,50
9 Sundaram Mutual Fund	10			50	5,00			50	5,00
10 HSBC Mutual Fund	10			1,00	10,00			1,00	10,00
11 ABN AMRO Mutual Fund	10			40	4,00			40	4,00
12 HDFC Mutual Fund	10			35	3,50			35	3,50
TOTAL			35,00		58,50		16,50		77,00

Units of Mutual Funds Purchased and redeemed during the year

Name of the Fund	Face Value (Rs.)	Units (in lakhs)	Amount (Rs.in lakhs)
1 Kotak Liquid Fund - Institutional Premium - Growth	10	3,81.60	52,50
2 Reliance Liquidity Fund - Growth	10	3,19.38	32,50
3 Sahara Liquid Fund - Growth	10	40.89	5,00
4 Sahara Liquid Fund - Variable - Growth	1,000	0.80	10,00
TOTAL			1,00,00

SCHEDULES

	31.03.2006		31.03.2005	
(Rs. in Lakhs)				
7 Current Assets				
a) Stock-on-hire and bills purchased				
Net Investment in Stock-on-hire		361,45.40		419,63.77
Repossessed assets		8,19.11		5,54.65
Debtors on Securitisation		8,28.18		—
Trade bills purchased (unsecured, considered good)				
Outstanding for a period exceeding six months	2,26.00		2,26.00	
Others	1,66.36	3,92.36	1,42.21	3,68.21
Net Investment in lease		47,78.48		47,51.33
		<u>429,63.53</u>		<u>476,37.96</u>
b) Interest accrued on investments		1,57.62		2,14.29
c) Cash and bank balances				
With scheduled banks in				
Current Accounts	41,14.75		18,62.09	
Unpaid dividend account	16.28		24.73	
Deposit accounts	162,74.14		75,05.63	
Remittances in Transit	—		12.20	
Cash on hand	6,83.02		6,20.11	
Stamps and Stamp Papers on hand	31.01	211,19.20	14.31	100,39.07
d) SFL Shares trust		9,74.41		9,74.41
		<u>652,14.76</u>		<u>588,65.73</u>

SCHEDULES

	31.03.2006	(Rs. in Lakhs) 31.03.2005
8 Loans and Advances		
Unsecured unless otherwise stated:		
Considered good:		
Secured Loans	3947,07.89	3430,60.30
Unsecured Loans – Subsidiary Company	1,50.00	12,33.17
– Others	18,25.35	–
Advance Income Tax and Tax Deducted at Source (Net of Provision for Taxation)	51,82.72	61,65.58
Advances and deposits recoverable in cash or kind or for value to be received		
– Subsidiary Companies	35.36	33.72
– Others	32,72.50	23,77.44
Advance for purchase of assets		
– Business Assets	228,76.98	118,84.19
– Others	67.89	22.97
Income receivable	50,01.45	44,07.26
	<u>4331,20.14</u>	<u>3691,84.63</u>
9 Current Liabilities *		
Sundry Creditors		
– For expenses	20,69.17	20,66.73
– For other finance	155,83.65	124,94.11
Unpaid dividend	16.28	24.73
Interest accrued but not due	75,53.90	87,76.76
	<u>252,23.00</u>	<u>233,62.33</u>
* There are no amounts due and outstanding to be credited to Investor Education and Protection Fund		
10 Provisions		
Non-performing assets	36,43.59	43,71.46
Investments	5,91.06	7,11.54
Final dividend	37,49.76	4,16.64
Dividend Tax and Surcharge	5,25.90	58.44
	<u>85,10.31</u>	<u>55,58.08</u>

SCHEDULES

	(Rs. in Lakhs)	
	2005-06	2004-05
11 Income from Operations		
Hire Purchase / Hypothecation Loans (Net) (tax deducted at source Rs.275.25 lakhs)	401,03.21	358,28.49
Lease (Net)	19,93.91	28,89.52
Interest on Loans (tax deducted at source Rs.0.23 lakhs)	71.39	1,53.14
Bills Purchased	1,74.13	1,17.05
Investments (tax deducted at source Rs.89.40 lakhs)	14,97.87	18,37.05
Services (tax deducted at source Rs.123.13 lakhs)	18,39.58	14,60.55
Trading of Computer Accessories and Software	20.40	43.01
Recovery of Bad debts and Recovery of Loss on Sale of assets	11,27.21	9,80.95
Profit on Sale of Leased Assets	3,48.76	4,36.64
Others	12,21.80	4,14.34
	<u>483,98.26</u>	<u>441,60.74</u>
12 Other Income		
Interest receipts (tax deducted at source Rs.1.17 lakhs)	7,04.82	1,36.48
Dividend	8,04.11	10,14.44
Rent receipts (tax deducted at source Rs.98.96 lakhs)	4,22.10	3,87.61
Profit on sale of assets	1,79.92	5.44
Miscellaneous income	2,63.50	2,04.10
	<u>23,74.45</u>	<u>17,48.07</u>
13 Financial Expenses		
Interest – Fixed loans	169,25.47	146,16.25
– Debentures	72,53.38	57,02.42
– Others	97.94	1,31.11
Other financial expenses	19,17.47	10,34.13
	<u>261,94.26</u>	<u>214,83.91</u>

SCHEDULES

	(Rs. in Lakhs)	
	2005-06	2004-05
14 Establishment Expenses		
Salaries, allowances, commission and bonus	46,22.10	43,05.22
Company's contribution to Provident Fund, Superannuation and Employees' State Insurance schemes	2,80.14	2,58.51
Staff welfare expenses	1,99.74	1,90.67
Gratuity	86.58	75.81
	<u>51,88.56</u>	<u>48,30.21</u>
15 Administrative and Other expenses		
Rent	2,65.29	2,39.87
Rates and taxes	1,26.95	78.28
Communication expenses	5,41.88	6,20.84
Electricity expenses	3,26.05	3,09.63
Travelling and conveyance (net)	6,69.52	6,51.41
Advertisement charges	2,98.36	4,03.51
Outsourcing cost	7,70.07	3,59.73
Directors' sitting fee	13.30	16.90
Insurance	1,08.76	88.73
Repairs to buildings	9.53	33.69
Repairs to machinery	4,43.39	2,92.09
Donations	82.86	3,56.95
Miscellaneous expenses	11,01.76	11,37.07
	<u>47,57.72</u>	<u>45,88.70</u>
16 Provisions and Write off		
Bad Debts	8,16.07	12,82.23
Loss on Assets sold/written off	5,85.31	7,30.52
Loss on sale of investments	1,05.56	1,45.10
Provision against Investments	(1,20.48)	2,45.60
	13,86.46	24,03.45
Less: Reversal of		
Provision against non-performing assets	6,59.12	16,44.59
Diminution in Value of Investments	3.25	2,07.63
	<u>7,24.09</u>	<u>5,51.23</u>

SCHEDULES

17. 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 they 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. The Company follows the directions prescribed by the Reserve Bank of India for Non Banking Financial Companies.

1.2 Income recognition:

- a) Income from Hire Purchase and Hypothecation loan transactions is accounted on the basis of the Internal Rate of Return method.
- b) Lease income is accounted as per the terms of the lease agreements for contracts entered into upto 31st March 2001. Income from leases entered into on or after 1st April, 2001 is accounted as per the Accounting Standard 19 – ‘Leases’ issued by ICAI.
- c) Income from Services, Trading Activities and Insurance Agency Commission have been recognised on accrual basis.

1.3 Fixed Assets and Depreciation / Amortisation:

Fixed Assets are stated at historical cost less accumulated depreciation. The Value of assets on Finance Lease is further adjusted for balance in Lease Adjustment Account.

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 fully depreciated. Cost of assets given on lease is amortised during the lease period, for all leased assets acquired prior to 01-04-2001 as recommended in the “Guidance Note on Accounting for Leases (Revised)” issued by ICAI. Lease Equalisation Account, which represents the excess/shortfall of annual lease charge when compared with statutory depreciation, is recognised.

1.4 Valuation of Investments:

Long-term investments are stated at cost and provision for diminution 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 Foreign Currency Loans:

Foreign exchange transactions covered by forward contracts are stated at the forward contract rates while those not so covered are re-stated at rates ruling at the year-end. Exchange differences resulting in income or expense are dealt with in the profit and loss account. Premium on forward contracts is recognised as an expense over the tenure of the contract.

1.6 Retirement Benefits:

- a) The Company’s liability towards gratuity to the employees is covered by a Group Policy with Life Insurance Corporation of India and SBI Life Insurance Company Ltd.
- b) The Company contributes to a group policy with Life Insurance Corporation of India towards a Superannuation scheme for its employees.
- c) Liability on account of encashment of leave to employees is provided on the basis of an actuarial valuation as on 31st March 2006.

SCHEDULES

17. NOTES TO THE ACCOUNTS (Contd.)

1.7 Taxation:

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

Deferred tax liabilities on the timing differences have been fully provided for. Deferred tax assets are recognised on the consideration of prudence.

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.

1.9 Impairment of Assets:

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

1.10 Provisions:

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

2. BALANCE SHEET

2.1 Reserves and Surplus

The Special Reserve has been created in terms of the Rupee Term Loan agreement entered into with International Finance Corporation and is not distributable during the subsistence of the loan.

2.2 Secured Loans:

a) Details of privately placed Secured Redeemable Non-Convertible Debentures:

Date of Allotment / Re-issue	Amount (Rs. in Lakhs)		Redemption
	31.03.2006	31.03.2005	
28.05.2003	1000	1000	At par at the end of 3 years
15.06.2003	2500	2500	At par at the end of 3 years
30.10.2003	1500	1500	At par at the end of 3 years
01.03.2004	4500	4500	At par at the end of 3 years
29.04.2004	2000	2000	At par at the end of 2 years
29.04.2004	3000	3000	At par at the end of 3 years
30.04.2004	2000	2000	At par at the end of 3 years
30.04.2004	2500	2500	At par at the end of 2 years
31.05.2004	1500	1500	At par at the end of 1 year and 353 days
29.06.2004	2000	2000	At par at the end of 1 year and 352 days
26.08.2004	2500	2500	At par at the end of 2 years
27.09.2004	5000	5000	At par at the end of 2 years
28.01.2005	3500	3500	At par at the end of 1 year and 335 days
28.01.2005	2500	2500	At par at the end of 1 year and 342 days
25.02.2005	2000	2000	At par at the end of 1 year and 347 days
25.02.2005	2000	2000	At par at the end of 2 years and 358 days

SCHEDULES
17. NOTES TO THE ACCOUNTS (Contd.)

Date of Allotment / Re-issue	Amount (Rs. in Lakhs)		Redemption
	31.03.2006	31.03.2005	
25.02.2005	2000	2000	At par at the end of 2 years and 361 days
29.04.2005	1000	—	At par at the end of 2 years and 352 days
27.05.2005	2500	—	At par at the end of 1 year
27.05.2005	2500	—	At par at the end of 1 year and 348 days
27.05.2005	2500	—	At par at the end of 2 years and 356 days
27.05.2005	5000	—	At par at the end of 2 years and 358 days
27.05.2005	4000	—	At par at the end of 1 year and 359 days
29.06.2005	4000	—	At par at the end 364 days
29.06.2005	4500	—	At par at the end of 1 year
29.07.2005	4000	—	At par at the end of 1 year
27.08.2005	7500	—	At par at the end of 2 years and 364 days
27.08.2005	2500	—	At par at the end of 1 year and 363 days
27.08.2005	5000	—	At par at the end of 2 years
30.12.2005	(*) 2000	—	At par at the end of 1 year and 254 days
27.01.2006	(*) 2900	—	At par at the end of 1 year and 222 days
28.06.2002	—	500	Redeemed during the year
02.07.2002	—	2000	Redeemed during the year
31.07.2002	—	2000	Redeemed during the year
31.08.2002	—	3400	Redeemed during the year
27.09.2002	—	2000	Redeemed during the year
03.10.2002	—	1000	Redeemed during the year
03.10.2002	—	600	Redeemed during the year
28.11.2002	—	1000	Redeemed during the year
07.12.2002	—	2000	Redeemed during the year
27.06.2003	—	2000	Redeemed during the year
30.07.2003	—	2000	Redeemed during the year
11.08.2003	—	2500	Redeemed during the year
25.08.2003	—	1000	Redeemed during the year
30.09.2003	—	1000	Redeemed during the year
30.09.2003	—	1000	Redeemed during the year
27.02.2004	—	1000	Redeemed during the year
27.02.2004	—	500	Redeemed during the year
27.02.2004	—	200	Redeemed during the year
01.03.2004	—	6500	Redeemed during the year
Total	91900	74200	

The debentures are secured by mortgage of two immovable properties ranking pari passu and specific assets covered by Hire purchase / Lease agreements and a charge on Hypothecation Loan Receivables.

(*) The security in respect of these debentures is to be created

SCHEDULES

17. NOTES TO THE ACCOUNTS (Contd.)

	(Rs in Lakhs)	
	31.03.2006	31.03.2005
b) Loans from scheduled banks under "Secured Loans" include		
Working Capital Demand Loans	963,04.92	755,27.14
Term Loans	1079,24.18	628,36.68
Total	<u>2042,29.10</u>	<u>1383,63.82</u>

i) Rs.96304.92 lakhs availed under working capital facilities are secured by hypothecation of assets covered by Hire Purchase / Lease agreements and a charge on Hypothecation Loan Receivables, ranking pari-passu, excluding assets which are specifically charged to others. The facilities include foreign currency loans of Rs.5949.66 lakhs outstanding as on 31.03.2006 (31.03.2005- Rs. 22305.06 lakhs)

ii) Rs.107924.18 lakhs availed as Term Loans are secured by hypothecation of specific assets covered by Hire Purchase / Lease agreements and a charge on Hypothecation Loan Receivables.

c) Loan From International Finance Corporation:

The Rupee Term Loan of Rs.20000 lakhs availed from International Finance Corporation is repayable in instalments upto January 2010. The loan is secured by specific assets covered by Hire purchase / Lease agreements and a charge on Hypothecation Loan Receivables.

d) Secured loan from a Financial Institution is secured by hypothecation of specific assets covered by Hire Purchase / Lease Agreements and a charge on Hypothecation Loan Receivables.

2.3 Unsecured Loans:

a) Debentures:

Details of Privately placed Non-convertible debentures:

Date of Allotment / Re-issue	Amount (Rs. in Lakhs)		Redemption
	31.03.2006	31.03.2005	
27.01.2006	1000	-	At par at the end of 1 year and 72 days
08.03.2006	2000	-	Maturing on 30.09.2006 – Put/Call option on a daily basis
29.03.2006	1800	-	At par at the end of 1 year and 68 days
29.04.2004	-	1000	Redeemed during the year
30.04.2004	-	2000	Redeemed during the year
30.04.2004	-	1000	Redeemed during the year
31.05.2004	-	1000	Redeemed during the year
31.05.2004	-	1000	Redeemed during the year
31.05.2004	-	2000	Redeemed during the year
26.11.2004	-	3000	Redeemed during the year
26.11.2004	-	2000	Redeemed during the year
28.12.2004	-	2000	Redeemed during the year
28.12.2004	-	2500	Redeemed during the year

SCHEDULES

17. NOTES TO THE ACCOUNTS (Contd.)

Date of Allotment / Re-issue	Amount (Rs. in Lakhs)		Redemption
	31.03.2006	31.03.2005	
10.01.2005	–	1500	Redeemed during the year
28.01.2005	–	2500	Redeemed during the year
28.01.2005	–	1000	Redeemed during the year
28.01.2005	–	1000	Redeemed during the year
28.01.2005	–	1500	Redeemed during the year
28.01.2005	–	500	Redeemed during the year
25.02.2005	–	1000	Redeemed during the year
25.02.2005	–	2000	Redeemed during the year
29.03.2005	–	1000	Redeemed during the year
Total	4800	29500	

The Company issued MIBOR linked debentures from time to time, aggregating Rs.2500 lakhs as on 31.03.2006, with a daily put/call option and with a right to re-issue the same. The outstanding MIBOR linked debentures as on 31.03.2006 was Rs.2000 lakhs (31.03.2005 – Rs.2000 lakhs). The balance debentures of Rs.500 lakhs have been redeemed on exercise of put / call option and are in the name of a nominee of the company as of 31.03.2006. The debentures are partly secured by mortgage of an immovable property, ranking pari passu.

b) Short Term Loans and Advances:

- i) Loans from scheduled banks under “Unsecured Loans” include foreign currency loans of Rs.5895.40 lakhs outstanding as on 31.03.2006 (31.03.2005 – Rs. 4416.20 lakhs).
- ii) Commercial Paper outstanding – Rs. 30000 lakhs (31.03.2005 – Rs. 32500 lakhs). Maximum amount outstanding at any time during the year Rs. 40500 lakhs (31.03.2005 – Rs. 36500 lakhs).

2.4 Derivative Instruments:

The details of derivative transactions outstanding as on 31.03.2006 are as under:

Category	: Interest Rate Swaps
Notional principal outstanding	: Rs.635 Crores
Purpose	: Hedge against floating interest rate

2.5 Interest accrued on secured / unsecured foreign currency loans which are covered by forward contracts has been provided at the forward exchange contract rate and on loans not so covered at the exchange rate prevailing at the year-end.

2.6 Fixed Assets:

- a) Buildings on leasehold land include Rs.885.97 lakhs (31.03.2005 – Rs.861.12 lakhs) being the cost of ownership flats in co-operative societies / associations.
- b) Land and Buildings include Rs.928.65 lakhs representing undivided share of land (31.03.2005-Rs.1074.93 lakhs).
- c) Plant and Machinery and Vehicles include assets costing Rs.7666.04 lakhs (gross block) on operating lease contracts. (31.03.2005 – Rs.6117.16 lakhs).
- d) Intangible Assets:

In accordance with Accounting Standard 26 - Intangible Assets issued by ICAI, software purchased amounting to Rs.1.96 lakhs (Previous year – Rs.27.01 lakhs) is amortised based on a technical evaluation.

SCHEDULES

17. NOTES TO THE ACCOUNTS (Contd.)

- e) The details of assets on operating lease after 01.04.2001 are: (Rs in lakhs)

	Plant and Machinery	Vehicles	Computers	Vehicles	Computers
	31.03.2006			31.03.2005	
Gross carrying amount (Cost)	98.99	33,89.80	76.07	19,59.60	12.26
Accumulated Depreciation	2.34	10,34.67	15.85	5,98.10	0.54
Depreciation recognised in Profit and Loss Account for the Year	2.34	5,37.23	15.31	3,11.54	0.54

Maturity Pattern of the future minimum lease payments is given below: (Rs. in Lakhs)

	31.03.2006	31.03.2005
Less than 1 year	8,84.07	5,30.60
Later than 1 year and not later than 5 years	17,40.20	9,14.17
Later than 5 years	0.02	0.42
Total	26,24.29	14,45.19

- f) Impairment of Fixed Assets

Based on an internal evaluation, an amount of Rs.0.87 lakhs, being the excess of Written Down Value over the estimated realisable value of fixed assets has been provided for in accordance with Accounting Standard 28-Impairment of Assets issued by ICAI.

2.7 Current Assets

- a) i) The company has securitised a part of its vehicle finance portfolio and has followed the "Guidance Note on Accounting for Securitisation" issued by ICAI. The details are as follows:

	2005-06	2004-05
Assets derecognised	209,91.72	77,08.96
Assets subordinated	4,34.06	4,39.41
Bank deposits given as collateral	14,12.00	2,40.00

The collateral provided in the form of deposits of Rs.1572 lakhs is shown under cash and bank balances - with scheduled banks in Deposit accounts.

- ii) The company has undertaken a sell down of receivables of a part of its vehicle finance portfolio. The details are as follows:

	2005-06	2004-05
Assets derecognised	338,62.72	—
Bank deposits given as collateral	25,00.00	—

The collateral provided in the form of deposits of Rs.2500 lakhs is shown under cash and bank balances - with scheduled banks in Deposit accounts.

SCHEDULES

17. NOTES TO THE ACCOUNTS (Contd.)

- b) Deposit of Rs.0.14 lakhs under Cash and bank balances - With scheduled banks in Deposit accounts is under lien to Government authorities (31.03.2005 – Rs.0.05 lakhs).
- c) In accordance with Accounting Standard 19 – “Leases”, issued by ICAI, the reconciliation between the total gross investment in the lease and the present value of minimum lease payments (MLP) as on 31.03.2006 is as follows:

Maturity Pattern of the Gross / Present Value of MLP receivables:	(Rs. in Lakhs)
Gross Investment	445,28.32
Net Investment	395,20.49

	31.03.2006		31.03.2005	
	Gross	Net	Gross	Net
Less than 1 year	246,40.70	213,03.10	287,53.28	249,13.11
Later than 1 year and not later than 5 years	198,78.93	182,08.95	207,84.17	188,69.88
Later than 5 years	8.69	8.44	1,13.10	1,05.66
Total	<u>445,28.32</u>	<u>395,20.49</u>	<u>496,50.55</u>	<u>438,88.65</u>

	(Rs. in Lakhs)	
Unearned Finance Charges	50,07.83	57,61.90

Accumulated provision for un-collectible minimum lease payments receivable: Rs.102.76 lakhs

- 2.8 “Secured Loans” from Scheduled Banks and Current Accounts with Scheduled Banks under “Cash and Bank Balances” are stated after deduction / addition of cheques on hand to the extent of Rs.2326.75 lakhs (31.03.2005 - Rs.2466.50 lakhs).
- 2.9 Loans and advances:
- a) Secured loans include Rs 22.97 lakhs (31.03.2005 - Rs.35.13 lakhs) due from a Director of the company. Maximum amount due at any time during the year Rs. 35.13 lakhs (Previous year - Rs.62.13 lakhs).
- b) Unsecured loans include Rs.1.39 Lakhs (31.03.2005 - Rs. 0.66 lakhs) due from officers of the company. Maximum amount due at any time during the year Rs 1.82 lakhs (previous year - Rs.0.71 lakhs).
- c) Advance Income Tax and Tax Deducted at Source is net of Provision for Tax of Rs. 25980.08 lakhs (31.03.2005 - Rs. 24627.95 lakhs) and includes Rs. 1354.36 lakhs (31.03.2005 - Rs.1118.54 lakhs) towards income tax paid under dispute.
- d) Advances and deposits recoverable in cash or in kind or for value to be received include Rs. 41.63 lakhs (31.03.2005 - Rs. 37.72 lakhs) towards sales tax paid under dispute in respect of which appeals are pending.
- 2.10 Current liabilities:
- a) Sundry creditors for expenses include Rs.104.00 lakhs (31.03.2005 - Rs. 85.50 lakhs) payable to directors.
- b) Interest accrued but not due includes Rs.21.47 lakhs on deposits of Directors (31.03.2005 – Rs.28.67 lakhs)

SCHEDULES

17. NOTES TO THE ACCOUNTS (Contd.)

(Rs. in Lakhs)

2.11 The details of Deferred Tax Assets / Liabilities are as follows:

	31.03.2006	31.03.2005
i) Deferred Tax Assets:		
a) Provision for Non-performing assets / Investments	12,28.07	14,23.49
b) Income deferment on Non-performing Assets	5,47.03	6,42.79
c) Others	4,84.09	3,51.16
Total (A)	22,59.19	24,17.44
ii) Deferred Tax Liabilities:		
a) Depreciation	9,36.82	19,00.89
b) Hire Purchase Income	5,48.49	7,11.25
Total (B)	14,85.31	26,12.14
(A – B)	7,73.88	(-) 1,94.70

3. PROFIT AND LOSS ACCOUNT

3.1 Income from operations –

- a) Hire Purchase / Hypothecation Loans is net of business origination cost of Rs. 1088.82 lakhs (previous year – Rs. 435.19 lakhs)
- b) Lease is net of depreciation of Rs. 928.70 lakhs (Previous year Rs. 1859.77 lakhs) and Lease Equalisation account Rs. 2097.62 lakhs (Previous year - Rs. 4102.61 lakhs)
- c) Others includes
 - i) profit on securitisation amounting to Rs.436.36 lakhs (Previous year Rs.232.39 lakhs)
 - ii) profit on sale down of receivables amounting to Rs. 691.35 Lakhs (Previous year - Nil).

3.2 Income from operations - Investments comprise:

(Rs. in Lakhs)

	2005 - 06	2004 - 05
i) Interest	10,29.62	12,21.29
ii) Dividend	Nil	1.39
iii) Profit on sale of investments:		
Long Term	1,41.35	5,52.74
Current	3,26.89	61.63

3.3 Income from Trading of Computer Accessories and Software:

(Rs. in Lakhs)

	2005-06	2004-05
The details relating to trading items are as under:		
Sales	53.91	1,33.06
Purchases	33.50	90.19

The revenue from sale of computer accessories and software and their individual related costs constitute less than 10% of the total turnover of the Company. Therefore, quantitative information relating to this business has not been stated.

SCHEDULES

17. NOTES TO THE ACCOUNTS (Contd.)

3.4 Profit on sale of shares in Subsidiary Companies:

Equity shares in Sundaram Asset Management Company Ltd and Sundaram Finance Trustee Company Ltd representing 49.90% of their respective share holdings were sold to BNP Paribas Asset Management, France, during the year.

3.5 Financial Expenses:

Interest on fixed/cumulative deposits includes Rs.26.13 lakhs (previous year - Rs.23.76 lakhs) paid / credited to Directors.

3.6 Remuneration to Directors:

(Rs. in Lakhs)

	2005-06	2004-05
i) Salary	39.00	32.40
ii) Commission		
– Wholetime Directors	95.00	57.00
– Non Wholetime Directors	9.00	63.50
iii) Sitting fees to Wholetime Directors	3.80	4.60
iv) Contribution to provident, superannuation and gratuity funds	11.30	8.99
v) Other allowances and perquisites	31.93	30.09
Total	<u>1,90.03</u>	<u>1,96.58</u>

3.7 Computation of net profit for calculation of commission to directors:

(Rs.in Lakhs)

Net Profit		170,57.72
Add: Directors' Remuneration	1,90.03	
Directors' Sitting Fee (other than Wholetime Directors)	9.50	
Depreciation as per books	27,68.78	
Lease Equalisation Account	20,97.62	
Loss on sale of investments	1,05.56	
Provision for investments	(1,20.48)	
Diminution in value of Investments	(3.25)	
Provision for Taxation (including Wealth Tax)	38,21.42	88,69.18
		<u>259,26.90</u>
Less: Depreciation as per Sec.350 of the Companies Act, 1956	27,68.78	
Profit on sale of investments	92,80.88	
Provision against Non-Performing assets	(6,59.12)	113,90.54
Net profit as per Section 198 of the Companies Act, 1956		<u>145,36.36</u>
1% thereof		<u>1,45.36</u>
Commission to Managing Director, Deputy Managing Director and Wholetime Director		95.00
Commission to Non-Wholetime Directors		<u>9.00</u>

SCHEDULES

17. NOTES TO THE ACCOUNTS (Contd.)

(Rs. in Lakhs)

3.8 Miscellaneous expenses under “Administrative and other expenses” include:

	2005-06	2004-05
Statutory Audit	18.00	18.00
Tax Audit	4.00	5.25
Certification	9.31	9.47
Service Tax	3.83	3.34
Travelling Expenses	1.57	1.33

3.9 Provisions and Write off -

Loss on sale of investments comprises Rs. 105.56 lakhs (Previous year - Rs. 33.00 lakhs) pertaining to long-term investments and NIL (Previous year - Rs. 112.10 lakhs) pertaining to short-term investments.

3.10 The exchange difference amounting to Rs. 135.78 lakhs (net) arising on account of foreign currency transactions has been accounted in the Profit and Loss account in accordance with Accounting Standard 11 – “Accounting for the effects of changes in foreign exchange rates” issued by ICAI.

4. GENERAL

4.1 Segment Reporting

Segment information is presented in the consolidated financial statements in terms of the Accounting Standard 17 – Segment Reporting issued by ICAI.

4.2 Related Party Disclosures

Related party disclosures, as stipulated by Accounting Standard 18 - ‘Related Party disclosures’, issued by ICAI are given below:

Related parties:

Subsidiaries:

Sundaram Finance Distribution Ltd.
Sundaram Home Finance Ltd.
Sundaram BNP Paribas Asset Management Company Ltd.
Sundaram BNP Paribas Trustee Company Ltd.
Royal Sundaram Alliance Insurance Company Ltd.
LGF Services Ltd.
Sundaram Infotech Solutions Ltd.
Sundaram Business Services Ltd.

Associates:

Axles India Ltd.
Turbo Energy Ltd.
Transenergy Ltd.
Sundaram Dynacast Pvt Ltd.
InFreight Technologies India Ltd.
Sundaram Medical Foundation
Sundaram BNP Paribas Mutual Fund

Key Management Personnel:

Sri T.T. Srinivasaraghavan, Managing Director
Sri G.K. Raman, Wholetime Director
Sri Srinivas Acharya, Deputy Managing Director

SCHEDULES

17. NOTES TO THE ACCOUNTS (Contd.)

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

Nature of Transactions	Subsidiary Companies	Associates	Key Management Personnel	Relatives of Key Management Personnel	Total 2005-06	Previous Year 2004-05
INCOME						
Income from Services rendered						
Royal Sundaram Alliance Insurance Co Ltd.	6,41.51					
Sundaram Home Finance Ltd.	1,60.31					
Sundaram BNP Paribas Mutual Fund		1,65.57				
Others	1,47.48	99.52				
Total	9,49.30	2,65.09			12,14.39	9,49.38
Dividend						
Sundaram Finance Distribution Ltd.	50.00					
LGF Services Ltd.	55.00					
Axles India Ltd.		36.37				
Turbo Energy Ltd.		1,92.00				
Total	1,05.00	2,28.37			3,33.37	3,75.81
Rent Receipts						
Sundaram BNP Paribas Asset Management Co Ltd.	73.62					
Royal Sundaram Alliance Insurance Co Ltd.	2,09.72					
Sundaram Infotech Solutions Ltd.	37.09					
Others	36.05	9.50				
Total	3,56.48	9.50			3,65.98	3,34.55
Other Income	29.80	18.75	1.46		50.01	1,61.19
EXPENSE						
Interest						
Royal Sundaram Alliance Insurance Co Ltd.	39.28					
Others			1.65	3.24		
Total	39.28		1.65	3.24	44.17	50.68
Remuneration			1,81.03		1,81.03	1,07.08
Other Expenses	20.38	1.00			21.38	2,80.61

SCHEDULES

17. NOTES TO THE ACCOUNTS (Contd.)

(Rs. in Lakhs)

Nature of Transactions	Subsidiary Companies	Associates	Key Management Personnel	Relatives of Key Management Personnel	Total 2005-06	Previous Year 2004-05
ASSETS						
Investment in Equity Shares						
Sundaram BNP Paribas Asset Management Co Ltd.	2,23.89					
Royal Sundaram Alliance Insurance Co Ltd.	5,59.77					
Sundaram Infotech Solutions Ltd.	1,00.00					
Others	5.00					
Total	8,88.66				8,88.66	26,04.00
Disinvestment in Equity Shares						
Sundaram Finance Distribution Ltd.	1,50.00				1,50.00	
Intercorporate Loans						
Sundaram Infotech Solutions Ltd.	1,50.00					
InFreight Technologies India Ltd.		85.00				
Total	1,50.00	85.00			2,35.00	
Investment in Trust Securities						
Sundaram BNP Paribas Mutual Fund		80,00.00			80,00.00	136,75.00
Disinvestment In Trust Securities						
Sundaram BNP Paribas Mutual Fund		23,21.05			23,21.05	143,11.77
Investment in Trust Securities - At the end of the year						
Sundaram BNP Paribas Mutual Fund		65,00.00			65,00.00	5,00.00
Future Lease Receivables						
Axles India Ltd.		21.88				
Turbo Energy Ltd.		34.16				
Others	4.24					
Total	4.24	56.04			60.28	70.05
Other Assets						
		5.62	34.08		39.70	16.26
LIABILITIES						
Deposits						
			24.17	64.62	88.79	1,49.40
Redemption of Non Convertible Debentures						
Royal Sundaram Alliance Insurance Co Ltd.	5,00.00				5,00.00	
Other Liabilities						
	13.50				13.50	7.37

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

4.3 Earnings per Share (Basic and diluted)

A	Profit for the year after taxation (Rs. in lakhs)		
B	Number of equity shares of Face Value of Rs.10/- outstanding (in numbers)		
C	Share Capital Suspense Account (in terms of number of shares)		
D	Total (B + C)		
E	Basic and diluted earnings per share (A/D) (in Rs.)		

	2005-06	2004-05
	170,59.22	75,99.15
	2,77,75,965	2,40,00,000
	–	37,75,965
	2,77,75,965	2,77,75,965
	61.42	27.36

SCHEDULES

17. NOTES TO THE ACCOUNTS (Contd.)

- 4.4 The levy of service-tax on hire purchase and leasing transactions introduced with effect from 16.07.2001 has been challenged by Trade Associations before the Madras High Court and a stay has been obtained. Pending disposal of the writ petitions, the company is not remitting service-tax on the aforesaid transactions.
- 4.5 The Special Director of Enforcement imposed a penalty of Rs 10 lakhs on the company. The company has preferred an appeal against the penalty with the Tribunal of Foreign Exchange and obtained a stay after remitting Rs 2.50 lakhs as directed by the Tribunal.
- 4.6 Estimated amount of contracts remaining to be executed on capital account – Rs.40.41 lakhs (net of advance of Rs. 52.25 lakhs). (31.03.2005 - Rs 73.98 lakhs-net of advance of Rs.20.13 lakhs).
- 4.7 The Company does not owe any amount to a Small Scale Industrial Undertaking.

(Rs. in Lakhs)

4.8 Contingent liabilities in respect of	As at 31.03.2006	As at 31.03.2005
a) Liability –		
To Banks – on Cheques discounted	27,00.58	17,17.11
– on Counter Guarantee	46.83	58.73
– on Letters of Credit	Nil	9.46
To Sales Tax Authorities	15.27	11.12
On Guarantee given on behalf of a Subsidiary Company	100,00.00	100,00.00
b) Claims against the company not acknowledged as Debts:		
i) Import Lease and Inter-state Lease transactions		
– Appeals filed by the company	Nil	10,51.04
ii) Hire Purchase transactions and termination of Lease transactions		
– Appeals filed by the company	46.07	47.07
iii) Others	2,66.33	1,87.17
4.9 CIF value of imports:		
Capital goods (on payment basis)	70.73	58.46
4.10. Expenditure in foreign currency (on payment basis):		
	2005-06	2004-05
Interest	8,00.45	10,97.45
On other matters	2,64.46	1,33.47
4.11 Earnings in Foreign Currency	2,95.28	79.88
4.12 Previous year's figures have been regrouped / reclassified wherever necessary to conform to current year's classification.		

Signatures to Schedules 1 to 17

As per our report of even date
attached

For Brahmayya & Co.,
Chartered Accountants

L. Ravi Sankar
Partner

Chennai,
31st May, 2006

S. Viji
Chairman

T.T. Srinivasaraghavan
Managing Director

Srinivas Acharya
Deputy Managing Director

S. Venkatesan
Executive Director (Finance) & Secretary

S. Ram

S. Narayanan

A. Rangaswami

S. Padmanabhan

T.R. Seshadri
Directors

SCHEDULE

(as required in terms of Paragraph 9BB of NBFC Prudential Norms (Reserve Bank) Directions, 1998)

(Rs. in Lakhs)

	Particulars	Amount outstanding	Amount overdue
	<u>Liabilities side:</u>		
(1)	Loans and advances availed by the NBFCs @		
a	Debentures : Secured	919,00.00	—
	: Unsecured	168,00.00	—
	(other than falling within the meaning of public deposits)		
b	Deferred Credits	—	
c	Term Loans	1209,05.32	—
d	Inter-corporate loans and borrowings	—	
e	Commercial paper	300,00.00	—
f	Public Deposits	622,77.20	10,69.74 [#]
g	Other loans		
	- Bank Borrowing	1250,45.11	—
	- Deposits from Corporates	5,21.26	—
(2)	Break-up of 1 (f) above (Outstanding public deposits) @		
a	In the form of Unsecured debentures	—	—
b	In the form of partly secured debentures I.e. debentures where there is a shortfall in the value of security	—	—
c	Other public deposits	622,77.20	10,69.74 [#]

@Interest accrued but not paid - Nil

Represents unclaimed deposits

(Rs. in Lakhs)

	Particulars	Amount outstanding
	<u>Assets side:</u>	
(3)	Break-up of Loans and Advances including bills receivables (other than those included in (4) below):	
a	Secured	256,48.98
b	Unsecured (including Advance for Business Assets)	252,09.56
(4)	Break-up of Leased Assets and Stock on hire and hypothecation loans counting towards EL / HP activities:	
(i)	Lease assets including lease rentals under sundry debtors	
a	Financial Lease	55,77.01
b	Operating Lease	42,91.00
(ii)	Net Stock on hire including hire charges under sundry debtors	
a	Assets on hire	416,37.79
b	Repossessed Assets	43.96
(iii)	Hypothecation loans counting towards EL / HP activities	
a	Loans where assets have been repossessed	7,75.15
b	Loans other than (a) above	3672,90.85

(Rs. in Lakhs)

	Particulars	Amount Outstanding	Market Value *
(5)	Break-up of Investments:		
	Current Investments:		
1.	Quoted:	—	—
2.	Unquoted:		
(i)	Units of mutual funds	60,00.00	64,92.66
	Long Term Investments:		
1.	Quoted:		
(i)	Equity Shares	12,64.36	174,90.78
(ii)	Debentures and Bonds	1,30.05	1,30.05
(iii)	Government Securities	78,09.68	75,70.75
2.	Unquoted:		
(i)	Equity Shares	160,13.93	232,53.42
(ii)	Government Securities		
(iii)	Units of mutual funds	77,00.00	78,66.69
(iv)	Bonds	80,00.00	80,00.00
(v)	Others	3,42.47	3,42.47
	Total	472,60.49	711,46.82

* Unquoted Investments disclosed at break up / fair value / NAV

(6) Borrower group-wise classification of all leased assets, stock-on-hire and loans and advances: (Rs. in Lakhs)				
	Category	Amount net of provisions		
		Secured	Unsecured	Total
1.	Related Parties**			
a	Subsidiaries	—	1,89.60	1,89.60
b	Companies in the same group	—	—	—
c	Other related parties	56.04	90.62	1,46.66
2.	Other than related parties	4419,61.71	245,32.74	4664,94.45
	Total	4420,17.75	248,12.96	4668,30.71

(7) Investor group-wise classification of all investments (current and long term) in shares and securities (both quoted and unquoted): (Rs. in Lakhs)			
	Category	Market Value / Break up or fair value or NAV	Book Value (Net of Provisions)
1.	Related Parties**		
a	Subsidiaries	160,57.40	151,25.60
b	Companies in the same group	—	—
c	Other related parties	101,82.90	71,44.40
2.	Other than related parties	449,06.52	243,99.43
	Total	711,46.82	466,69.43

** As per Accounting Standard

(Rs. in Lakhs)

(8) Other Information		
	Particulars	Amount
(i)	Gross Non-Performing Assets	
a	Related Parties	Nil
b	<i>Other than related parties</i>	73,51.63
(ii)	Net Non-Performing Assets	
a	Related Parties	Nil
b	<i>Other than related parties</i>	37,08.04
(iii)	Assets acquired in satisfaction of debt (during the year)	Nil

Statement Pursuant to Section 212 (1) (e) of The Companies Act, 1956

1 Name of the Subsidiary Company	Sundaram BNP Paribas Asset Management Company Limited	Sundaram Finance Distribution Limited	Sundaram BNP Paribas Trustee Company Limited	Sundaram Home Finance Limited	Royal Sundaram Alliance Insurance Company Limited	LGF Services Limited	Sundaram Infotech Solutions Limited	Sundaram Business Services Limited
2 Financial year of the Subsidiary ended on	31.3.2006	31.3.2006	31.3.2006	31.3.2006	31.3.2006	31.3.2006	31.3.2006 ⁽¹⁾	31.3.2006 ⁽²⁾
3 Holding Company's interest in the Subsidiary	76,81,948 Equity shares of Rs 10/- each (50.10%)	5,00,000 Equity shares of Rs 10/- each (100%)	25,050 Equity shares of Rs 10/- each (50.10%)	5,25,00,000 Equity shares of Rs 10/- each (75%)	7,83,67,693 Equity shares of Rs 10/- each (55.98%)	50,000 Equity shares of Rs 10/- each (100%)	10,00,000 Equity shares of Rs 10/- each (100%)	50,000 Equity shares of Rs 10/- each (100%)
4 Net aggregate amount of the profits of the subsidiary not dealt with in the Holding Company's accounts								(Rs. in lakhs)
a) For the financial year of the Subsidiary Company	1,74.44	50.30	3.64	4,39.64	4,83.33	42.64	-70.81	-0.34
b) For the Previous financial years of the Subsidiary Company	12.25	85.69	2.42	11,78.48	2,80.46	22.60	Nil	Nil
5 Net aggregate amount of the profits of the subsidiary dealt with in the Holding Company's accounts								
a) For the financial year of the Subsidiary Company	Nil	50.00	Nil	Nil	Nil	50.00	Nil	Nil
b) For the Previous financial years of the Subsidiary Company	Nil	Nil	Nil	Nil	Nil	5.00	Nil	Nil

1) Financial statements for the period 19th July 2005 to 31st March 2006

2) Financial statements for the period 12th August 2005 to 31st March 2006

S. Viji
Chairman

T.T. Srinivasaraghavan
Managing Director

S. Ram

S. Narayanan

Srinivas Acharya
Deputy Managing Director

A. Rangaswami

S. Padmanabhan

Chennai
31st May, 2006

S. Venkatesan
Executive Director (Finance) & Secretary

T.R. Seshadri
Directors

Cash Flow Statement

(Rs. in Lakhs)

	2005-06	2004-05
A) CASH FLOW FROM OPERATING ACTIVITIES:		
Net Profit	170,59.22	75,99.15
Add: Lease Equalisation Account	20,97.62	41,32.89
Provision for Taxation (Including Wealth Tax)	38,21.42	46,39.42
	<u>229,78.26</u>	<u>163,71.46</u>
Add: Financial Expenses	261,94.26	214,83.91
Depreciation	491,72.52	378,55.37
Provision against Investments	27,68.79	40,70.50
Diminution- Value of investments	(1,20.48)	2,45.60
Provision against Non - Performing assets	(3.25)	(2,07.63)
(Profit) loss on assets	(6,59.12)	(16,44.59)
(Profit) loss on Investments	(5,10.71)	(1,63.32)
Interest / Dividend Received	(91,74.54)	(4,69.28)
Effect of Foreign Exchange rates on Cash and Cash Equivalents, net	(19,39.84)	(22,56.33)
	<u>(0.14)</u>	<u>-</u>
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	395,33.23	374,30.32
(Increase) Decrease in net stock on hire	54,85.15	11,93.47
(Increase) Decrease in leased assets - net of sales	(12,93.28)	1,67.89
(Increase) Decrease in Trade Bills purchased	(24.15)	8,02.93
(Increase) Decrease in Net Investment in Lease	(27.15)	(31.76)
(Increase) Decrease in Loans and Advances	(649,18.37)	(712,52.29)
(Increase) Decrease in Other Receivables	(7,71.51)	8.50
(Increase) Decrease in Bank Deposits (net)	(87,68.51)	(11,79.40)
(Increase) Decrease in SLR Investments - net of sales	14,69.99	3,66.23
Increase (Decrease) in Current Liabilities	18,60.67	(13,83.88)
Cash generated from Operations	<u>(669,87.16)</u>	<u>(713,08.31)</u>
Financial Expenses	(261,94.26)	(214,83.91)
Direct Taxes Paid	(38,07.14)	(64,99.33)
NET CASH FROM OPERATING ACTIVITIES (A)	<u>(574,55.33)</u>	<u>(618,61.23)</u>
B) CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(6,80.44)	(14,96.88)
Sale of Fixed Assets	6,11.02	62.71
Purchase of Investments	(337,01.32)	(400,14.66)
Sale of Investments	252,61.82	396,03.42
Interest Received	11,35.73	12,41.58
Dividend Received	8,04.11	10,14.75
NET CASH FROM INVESTING ACTIVITIES (B)	<u>(65,69.08)</u>	<u>4,10.92</u>
C) CASH FROM FINANCING ACTIVITIES		
Proceeds from issue of debentures	1637,00.00	1065,00.00
Debentures Redeemed	(1587,00.00)	(808,00.00)
Increase (Decrease) in long term borrowings	658,58.79	146,56.42
Increase (Decrease) in Fixed Deposits	(112,27.02)	(112,73.11)
Increase (Decrease) in short term loans and advances	71,79.20	371,56.68
Dividend paid (including Corporate Dividend Tax)	(4,75.08)	(42,25.36)
NET CASH FROM FINANCING ACTIVITIES (C)	<u>663,35.89</u>	<u>620,14.63</u>
D) Effect of Foreign Exchange rates on Cash and Cash Equivalents, net (D)	0.14	-
NET INCREASE IN CASH AND CASH EQUIVALENTS (A)+(B)+(C)+(D)	23,11.62	5,64.32
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>25,33.44</u>	<u>19,69.12</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>48,45.06</u>	<u>25,33.44</u>
COMPONENTS OF CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		
Current Account with Banks	41,31.03	18,86.82
Cash, Stamps and Stamp Papers on Hand	7,14.03	6,46.62
	<u>48,45.06</u>	<u>25,33.44</u>

* Non cash items pertaining to Amalgamation have been excluded in Cash Flow Statement

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

S. Viji
Chairman

T.T. Srinivasaraghavan
Managing Director

S. Ram

S. Narayanan

L. Ravi Sankar
Partner

Srinivas Acharya
Deputy Managing Director

A. Rangaswami

S. Padmanabhan

Chennai,
31st May, 2006

S. Venkatesan
Executive Director (Finance) & Secretary

T.R. Seshadri
Directors

Report on Corporate Governance

Sundaram Finance Limited has been practising the code of Corporate Governance since inception. The strong edifice of the Company, built in 1954, is supported by the pillars of Customer Faith, Depositor Confidence, Institutional Trust, Investor Steadfastness and Employee Loyalty. The Company has been growing over the past five decades on the foundations of dedicated customer service, fair business practices, efficient, safe and trusted financial policies. It continues to maintain the highest standards of integrity through excellence in service to all stakeholders.

I. BOARD OF DIRECTORS

All the members of the Board are eminent persons with considerable expertise and experience in the automobile, engineering, banking, finance, insurance and transport sectors. The Company is immensely benefitted by the range of experience and skills that the Directors bring to the Board.

The Board comprises nine members, of which six are Non-Executive Directors. The Executive Directors are Sri T.T. Srinivasaraghavan, Managing Director, Sri Srinivas Acharya, Deputy Managing Director and Sri G.K. Raman, Wholetime Director. The Board is chaired by Sri S.Viji, a Non Executive Director. Sri S. Padmanabhan, Sri A. Rangaswami and Sri T. R. Seshadri are the Independent Directors. The composition of the Board is in conformity with the listing requirements.

All Directors and Senior Management Personnel have affirmed compliance with the Code of Conduct approved and adopted by the Board of Directors.

II. BOARD MEETINGS

The Board of Directors formulates the business and operational policies and decides on strategic issues concerning the Company. The Board generally meets every month to review the business performance.

During the year under review, 13 meetings of the Board of Directors were held.

2005			2006
29 th April	29 th July	28 th October	27 th January
27 th May	27 th August	29 th November	24 th February
6 th June	5 th October	30 th December	29 th March
29 th June			

The details of attendance at Board Meetings and details of other directorships, committee chairmanships/memberships held by the Directors during the year are as follows:

Name of the Director	Board Meetings Attended	Directorships (other than M/s Sundaram Finance Limited)		Committees in which Chairman/Member (other than M/s Sundaram Finance Limited)	
		Chairman	Director	Chairman	Member
Sri S. Viji	13	2	7	–	4
Sri S. Ram	11	2	7	1	1
Sri S. Narayanan	10	2	2	2	–
Sri A. Rangaswami	13	–	1	–	–
Sri S. Padmanabhan	13	–	–	–	–
Sri T. R. Seshadri	11	–	–	–	–
Sri N. Ganga Ram *	2	–	4	3	1
Sri G. K. Raman	11	1	3	1	1
Sri T. T. Srinivasaraghavan	13	1	5	–	1
Sri Srinivas Acharya	13	–	4	–	2

* Ceased to be a Director with effect from 29th June 2005.

NOTE: Except Sri S. Ram and Sri T.R. Seshadri, all the Directors of the Company attended the 52nd Annual General Meeting held on 28th July 2005.

III. AUDIT COMMITTEE

The Audit Committee reviews the financial accounting policies, adequacy of internal control systems and interacts with the statutory auditors, systems auditors and internal auditors. The Executive Directors and other functional heads are invitees to the committee meetings. Besides, the Committee reviews the audit plans, interim and annual financial results, management discussion and analysis of financial condition and results of operations, related party transactions, observations of the management and internal/external auditors on internal control weaknesses and follow-up reports of the management.

During the year, the Committee met 7 times on 3rd June, 25th July, 30th July, 25th October, 28th November in 2005 and on 23rd January and 24th March in 2006.

Composition of the Committee and attendance of the members are as follows:

Name of the Director		No. of Meetings Attended
Sri S. Padmanabhan	Chairman	7
Sri S. Viji	Member	6
Sri A. Rangaswami	Member	7

IV. REMUNERATION OF DIRECTORS

Directors of the Company are paid a sitting fee of Rs. 10,000/- each for every meeting of the Board and Audit Committee and Rs. 5,000/- each for every meeting of the Share Transfer and Investor Relations Committee.

The Non-Executive Directors are remunerated by way of commission for each financial year as decided by the Board of Directors within the ceiling of 1% of the net profits of the Company approved by the shareholders. The details of remuneration paid and number of shares held by the Non-Executive Directors are as follows:

Name of the Director	Sitting Fee (Rs. in lakhs)	Commission (Rs. in Lakhs)	No. of Shares held (as on 31.03.2006)
Sri S. Viji	1.90	1.50	2,64,593 ⁽¹⁾
Sri S. Ram	1.10	1.50	1,14,644
Sri S. Narayanan	1.00	1.50	400 ⁽²⁾
Sri A. Rangaswami	2.10	1.50	65
Sri S. Padmanabhan	2.10	1.50	– ⁽³⁾
Sri T. R. Seshadri	1.10	1.50	36,613 ⁽⁴⁾
Sri N. Ganga Ram	0.20	–	–

Note: No. of Shares held jointly with others - ⁽¹⁾ 2,171, ⁽²⁾ 40,856, ⁽³⁾ 8,960 and ⁽⁴⁾ 1,79,720

The Executive Directors of the Company are appointed on contractual terms, approved by the shareholders. Their remuneration comprises salary, allowances and perquisites. The quantum of commission payable to them is decided by the Board of Directors. The remuneration is within the limits prescribed under Schedule XIII to the Companies Act, 1956.

The details of remuneration paid to the Executive Directors are as follows:

Nature of Payment	Sri T.T. Srinivasaraghavan Managing Director	Sri Srinivas Acharya Deputy Managing Director	Sri G.K. Raman Wholetime Director
Salary	18.00	12.00	9.00
Commission	60.00	30.00	5.00
Sitting Fees	1.40	1.30	1.10
Contributions to provident, superannuation and gratuity funds	5.84	3.89	1.57
Other allowances and perquisites	13.19	8.50	10.23

As on March 31, 2006 the amount of deposits placed by the Non-Executive Directors in the Company aggregated to Rs.250.64 lakhs. The interest on these deposits paid/credited during the year 2005-06 amounted to Rs. 21.23 lakhs.

V. SHARE TRANSFER AND INVESTOR RELATIONS COMMITTEE

The Share Transfer and Investor Relations Committee

- i) approves and monitors transfers, transmission, splits and consolidation of shares of the Company.
- ii) reviews redressal of complaints from shareholders relating to transfer of shares, non-receipt of balance sheet, dividends etc., and
- iii) reviews the compliances with various statutory and regulatory requirements.

During the year, the Committee met on 21st July in 2005 and 15th February in 2006. Besides, transfers of shares were approved by resolutions passed in circulation on 11 occasions.

Composition of the Committee and the attendance of the members are as follows:

Name of the Director		No. of Meetings attended
Sri S. Padmanabhan	Chairman	2
Sri A. Rangaswami	Member	2
Sri T.T. Srinivasaraghavan	Member	2

Sri P.N. Srikant, Assistant Secretary, is the Compliance Officer. During the year under review, the Company received 25 communications from shareholders, which were attended to. There was 1 investor complaint received and resolved during the year. None was pending unresolved as on 31st March, 2006.

VI. GENERAL BODY MEETINGS

Time and location of last three Annual General Meetings:

Year	Date	Time	Location
2005	28.07.2005	10.30 A M	The Music Academy, 306, T T K Road, Chennai 600 014
2004	11.08.2004	10.00 A M	The Music Academy, 306, T T K Road, Chennai 600 014
2003	11.08.2003	10.00 A M	The Music Academy, 306, T T K Road, Chennai 600 014

Four special resolutions were passed at the AGM held in the year 2003. No special resolutions were passed at the AGMs held in the years 2004 and 2005.

No Special Resolution was passed last year and is proposed to be passed this year through postal ballot.

VII. DISCLOSURES

- There were no materially significant related party transactions having potential conflict with the interests of the company at large.
- All the mandatory requirements specified under Clause 49 have been complied with.
- The Company has a record of unqualified financial statements since inception.
- The Company proposes to adopt other non-mandatory requirements as and when necessary.

VIII. MEANS OF COMMUNICATION

- Quarterly unaudited and annual audited results of the Company were published in accordance with the Stock Exchange Listing Agreement in “Business Line” (English) and “Dinamalar” (Tamil). The results and official news releases were also displayed on the Company’s website at www.sundaramfinance.in
- Quarterly/annual results, shareholding pattern and other documents have also been published in Electronic Data Information Filing and Retrieval System (EDIFAR) in accordance with Clause 51 of the Stock Exchange Listing Agreement.
- A press meet was organised by the Company on 6th June 2005 for dissemination of audited results.

IX. GENERAL SHAREHOLDER INFORMATION

- Annual General Meeting

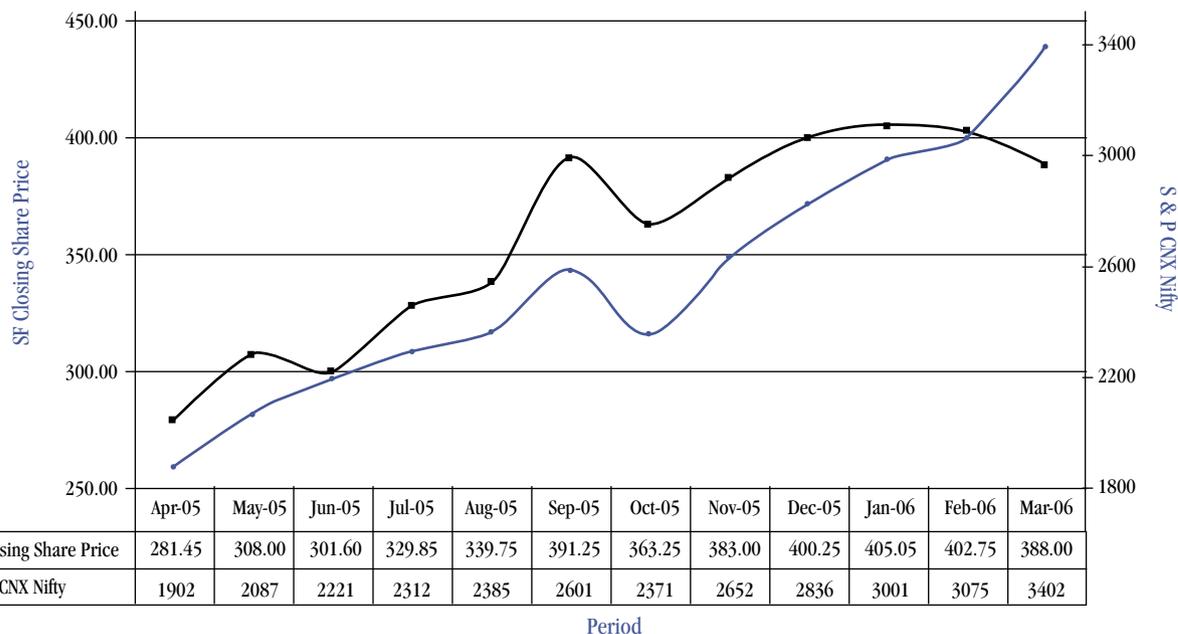
Date	Time	Venue
03.08.2006	11.00 AM	The Music Academy, 306 TTK Road, Chennai 600 014

- Financial Year – 1st April 2006 to 31st March 2007
- Book Closure dates – 20th July 2006 to 3rd August 2006 (both days inclusive)
- Date of payment of dividend – 7th August 2006.
- The company’s shares are listed on:
 - National Stock Exchange of India Ltd.
 - Exchange Plaza, 5th Floor
 - Plot No.C/1, G Block
 - Bandra-Kurla Complex
 - Bandra (E), Mumbai 400 051
- The Company has paid the listing fees for the financial year 2005-2006 to the above stock exchange.
- NSE Stock Code: SUNDARMFIN • ISIN : INE660A01013

MARKET PRICE DATA

Month	April-05	May	June	July	Aug	Sept	Oct	Nov	Dec	Jan-06	Feb	March	
NSE	High	294.95	329.50	354.00	342.00	355.00	408.85	400.00	397.00	454.00	457.00	412.70	449.00
	Low	275.25	266.20	293.00	300.00	320.00	340.00	340.00	355.55	362.70	400.00	370.00	372.00

SHARE PRICE PERFORMANCE



- Share transfers were processed and share certificates despatched within one month from lodgement in accordance with the stock exchange listing agreement.
- Dematerialisation requests have been confirmed within 21 days from the date of request.
- Investor Relation Services - Shares enjoys the ISO 9001:2000 Certification by Bureau Veritas Quality International (BVQI).

M/s Cameo Corporate Services Ltd, who have been appointed as the Registrar and Share Transfer Agents of the company for both physical and electronic segments have attended to the share transfer formalities regularly. The Registrar and Share Transfer Agents can be contacted by the investors at the following address:

M/s Cameo Corporate Services Ltd

'Subramanian Building'

No 1 Club House Road

Chennai 600 002

Ph: 044 2846 0390 Fax: 044 2846 0129

Email: cameo@cameoindia.com

Contact Persons: Mr. R.D. Ramasamy, Vice President (CA)

Ms. Lakshmi Varadakumar, Executive (Shares)

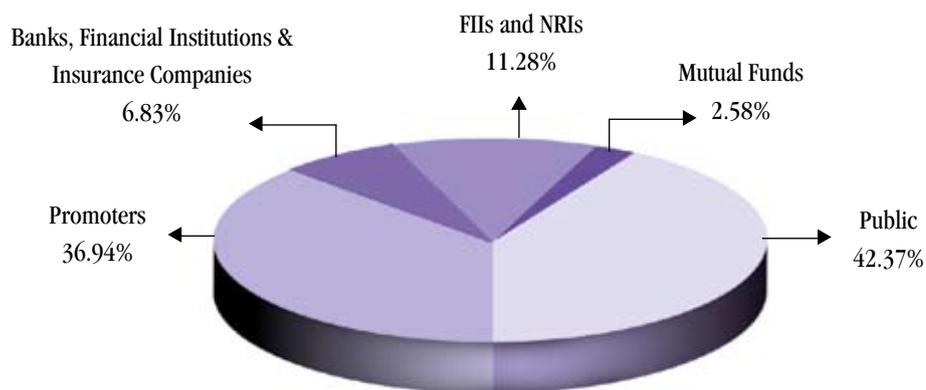
DISTRIBUTION OF SHAREHOLDING AS ON 31ST MARCH 2006

No. of Equity Shares Held	Total Shareholders	Total Shares	Total % to Capital
Upto 250	6802	690820	2.49
251 to 500	1314	513913	1.85
501 to 1000	937	714298	2.57
1001 to 5000	1211	2558298	9.21
5001 to 10000	188	1344415	4.84
10001 to 50000	248	5272716	18.98
50001 to 100000	48	3314980	11.94
100001 and above	43	13366525	48.12
TOTAL	10791	27775965	100.00

Total shares held in dematerialised form 47.10%

Public shareholding in dematerialised form 66.97%

SHAREHOLDING PATTERN AS ON 31.03.2006



Address for correspondence and any assistance/clarification

Sri P N Srikant
 Compliance Officer
 Sundaram Finance Limited
 21 Patullos Road, Chennai 600 002
 Ph: 044 - 2855 8236
 Fax: 044- 2855 0290
 E mail : pnsrik@sundaramfinance.in

T.T. Srinivasaraghavan
Managing Director

Auditor's Certificate on Corporate Governance

We have examined the compliance of the conditions of corporate governance by Sundaram Finance Limited, Chennai for the year ended on 31st March, 2006, as stipulated in clause 49 of the Listing Agreement entered into by the company with the stock exchange.

The compliance of the conditions of corporate governance is the responsibility of the management. Our examination was limited to a review of the procedures and implementation thereof, adopted by the company for ensuring the compliance with the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the company has complied with the conditions of Corporate Governance as stipulated in clause 49 of the above mentioned Listing Agreement.

We state that such compliance is neither an assurance as to the future viability of the company nor the efficiency or effectiveness with which the management has conducted the affairs of the company.

For BRAHMAYYA & CO.,
Chartered Accountants

L. RAVI SANKAR
Partner
Membership No. 25929

Place : Chennai
Dated: 31st May, 2006.

Consolidated

Financial

Statements

Consolidated Balance Sheet

as at 31st March, 2006

(Rs. in Lakhs)

			31.03.2006		31.03.2005
I SOURCES OF FUNDS					
1. Shareholders' Funds					
a) Capital	1		27,77.60		24,00.00
b) Share Capital Suspense Account	1A		–		3,77.60
c) Reserves and Surplus	2		829,13.05	856,90.65	672,70.22
					700,47.82
2. Minority Interest					
				88,23.54	68,53.64
3. Loan Funds					
a) Secured Loans	3		4022,87.09		3097,57.46
b) Unsecured Loans	4		1398,99.36	5421,86.45	1527,99.14
					4625,56.60
Total			6367,00.64		5394,58.06
II APPLICATIONS OF FUNDS					
1. Fixed Assets					
a) Gross Block	5		572,41.36		626,71.11
b) Less: Depreciation			410,04.19		442,70.01
c) Net Book Value			162,37.17		184,01.10
d) Add: Lease Adjustment Account			13,69.22		22,31.81
e) Net Block				176,06.39	206,32.91
2. Investments					
	6			776,38.06	472,73.18
3. Deferred Tax Asset (Net)					
Deferred Tax Asset			24,58.57		26,15.24
Less: Deferred Tax Liability			15,00.28	9,58.29	26,34.14
					(18.90)
4. Current Assets, Loans and Advances					
a) Current Assets	7		702,63.16		641,55.27
b) Loans and Advances	8		5389,21.89		4602,37.94
	(A)		6091,85.05		5243,93.21
Less: Current Liabilities and Provisions					
a) Current Liabilities	9		596,55.40		467,95.03
b) Provisions	10		90,31.75		60,27.31
	(B)		686,87.15		528,22.34
Net Current Assets	(A-B)		5404,97.90		4715,70.87
Total			6367,00.64		5394,58.06
Notes to the accounts	17				

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

L. Ravi Sankar
Partner

Chennai,
31st May, 2006

S. Viji
Chairman

T.T. Srinivasaraghavan
Managing Director

Srinivas Acharya
Deputy Managing Director

S. Venkatesan
Executive Director (Finance) & Secretary

S. Ram

S. Narayanan

A. Rangaswami

S. Padmanabhan

T.R. Seshadri
Directors

Consolidated Profit and Loss Account

for the Year Ended 31st March, 2006

	Schedule	2005-06	(Rs. in Lakhs) 2004-05
INCOME			
Income from Operations	11	861,78.63	704,34.34
Profit on Sale of Shares		88,12.64	—
Other Income	12	19,77.10	13,27.63
Total	(A)	969,68.37	717,61.97
EXPENDITURE			
Financial Expenses	13	328,64.61	263,52.28
Insurance claims incurred (net)		161,65.94	113,70.09
Establishment Expenses	14	92,69.95	79,60.76
Administrative and Other Expenses	15	124,03.71	93,55.43
Provisions and Write Off	16	10,88.18	9,03.26
Depreciation		24,68.22	27,92.99
Total	(B)	742,60.61	587,34.81
Profit before Tax	(A) - (B)	227,07.76	130,27.16
Taxation			
— Current (Including Wealth Tax)		50,09.86	65,94.96
— Deferred		(9,77.19)	(17,93.30)
— Fringe Benefit Tax		2,36.14	—
		42,68.81	48,01.66
Net Profit (before adjustment for minority interest)		184,38.95	82,25.50
Less: Minority Interest		5,17.70	3,20.74
		179,21.25	79,04.76
Add: Share of Profit in Associates		18,81.57	10,15.37
Profit after Tax		198,02.82	89,20.13
Less: Prior Period Expenses		1,52.00	30.84
Provision for Income Tax relating to earlier year		2.82	—
Profit after Tax and Prior Period Items		196,48.00	88,89.29
Add: Balance brought forward from previous year		53,87.50	43,57.18
On Amalgamation of Lakshmi General Finance Limited		—	8,54.11
Amount available for Appropriation		250,35.50	141,00.58
APPROPRIATIONS			
Dividend			
— Interim		—	17,70.35
— Final (proposed)		23,60.96	4,16.64
— Special (proposed)		13,88.80	—
— Dividend Tax		5,25.90	3,06.09
Special Reserve		9,75.00	15,50.00
Statutory Reserve		34,20.00	15,20.00
General Reserve		90,08.92	31,50.00
Surplus - Balance carried to Balance Sheet		73,55.92	53,87.50
		250,35.50	141,00.58
Notes to the Accounts	17		
Earnings per Equity Share (Refer Note 2.11 Schedule 17)			
Number of Shares considered (Face Value Rs.10/- per share)		2,77,75,965	2,77,75,965
Basic and Diluted earnings per share (in Rupees)		71.29	32.11
As per our report of even date attached	S. Viji Chairman	T.T. Srinivasaraghavan Managing Director	S. Ram
For Brahmaya & Co., Chartered Accountants			S. Narayanan
L. Ravi Sankar Partner		Srinivas Acharya Deputy Managing Director	A. Rangaswami
			S. Padmanabhan
Chennai, 31st May, 2006		S. Venkatesan Executive Director (Finance) & Secretary	T.R. Seshadri Directors

SCHEDULES

(Rs. in Lakhs)

	31.03.2006		31.03.2005
1 Share Capital			
Authorised:			
10,00,00,000 Equity Shares of Rs.10/- each	<u>100,00.00</u>		<u>100,00.00</u>
Issued, Subscribed and fully paid-up	<u>27,77.60</u>		<u>24,00.00</u>
2,77,75,965 Equity Shares of Rs.10/- each (includes 2,31,99,580 Equity Shares allotted as fully paid-up by way of bonus shares by capitalisation of Reserves and 37,75,965 Equity shares of Rs.10/- each allotted for consideration other than cash pursuant to a Scheme of Amalgamation.			
1A Share Capital Suspense Account	-		3,77.60
(represents 37,75,965 Equity shares of Rs.10/- each to be allotted to the shareholders of M/s. Lakshmi General Finance Limited (LGF), pursuant to the Scheme of Amalgamation sanctioned by the Hon'ble High Court of Madras)			
2 Reserves and Surplus			
Capital Reserve			
Per Last Balance Sheet	36,13.69		32,82.08
Add: Capital reserve on acquisition of shares in Sundaram Home Finance Ltd.	-		10.56
Add: Change in the value of holding in Subsidiaries on issue of Rights Shares	3,20.25		-
Less: Goodwill on acquisition of shares in Royal Sundaram Alliance Insurance Company Ltd.	74.95		2,10.45
Add: On Amalgamation of LGF	-	38,58.99	<u>5,31.50</u>
Securities Premium Account		15,04.97	15,04.97
General Reserve			
Per Last Balance Sheet	383,71.56		299,12.27
Less: Adjustment for change in holdings in subsidiaries	57.16		-
Add: On Amalgamation of LGF	-		54,66.08
Add/(Less) Adjustment for previous year's profit in Associates / Subsidiaries	82.35		1,56.79
Add: Transfer from Profit and Loss account	<u>90,08.92</u>	474,05.67	<u>31,50.00</u>
Statutory Reserve			
Per last Balance Sheet	131,22.50		94,67.50
Add: On Amalgamation of LGF	-		21,35.00
Add: Transfer from Profit and Loss account	<u>34,20.00</u>	165,42.50	<u>15,20.00</u>
Special Reserve			
Per Last Balance Sheet	52,70.00		37,20.00
Add: Transfer from Profit and Loss account	<u>9,75.00</u>	62,45.00	<u>15,50.00</u>
Surplus - Balance in Profit and Loss account		<u>73,55.92</u>	<u>53,87.50</u>
	<u>829,13.05</u>		<u>672,70.22</u>

	(Rs. in Lakhs)	
	31.03.2006	31.03.2005
3 Secured Loans		
Non - Convertible Debentures	1119,00.00	862,00.00
From Scheduled Banks	2668,19.48	1991,48.91
From International Finance Corporation	235,41.67	243,75.00
From Financial Institutions	25.94	32.42
Finance Lease	—	1.13
	<u>4022,87.09</u>	<u>3097,57.46</u>
4 Unsecured loans		
Fixed deposits		
From Directors	3,41.24	3,49.28
From others	<u>660,62.72</u>	<u>784,33.66</u>
Non - Convertible Debentures	98,00.00	295,00.00
Debenture Application Money	120,00.00	—
Short term loans and advances		
From Scheduled Banks	216,95.40	120,16.20
Commercial Paper	300,00.00	325,00.00
	<u>1398,99.36</u>	<u>1527,99.14</u>

SCHEDULES

5 Fixed Assets										(Rs. in Lakhs)			
DESCRIPTION	GROSS BLOCK AT COST			DEPRECIATION					Net Book Value	Balance in Lease Adjustment Account as at 31.03.2006	NET BLOCK		
	As at 31.03.2005	Additions	Deductions	As at 31.03.2006	Upto 31.03.2005	Additions*	Impairment	Deductions			Upto 31.03.2006	As at 31.03.2006	As at 31.03.2005
1 Freehold land and Buildings	58,67.05	21.22	2,01.15	56,87.12	6,45.71	1,20.45	—	5.70	7,60.46	49,26.66	—	49,26.66	52,21.34
2 Leasehold office / Residential Premises	15,69.92	—	2,53.11	13,16.81	6,03.98	47.46	—	62.32	5,89.12	7,27.69	—	7,27.69	9,65.94
3 Plant and Machinery	91,71.42	5,18.47	2,11.33	94,78.56	59,56.74	8,75.47	—	2,05.28	66,26.93	28,51.63	—	28,51.63	32,14.68
4 Vehicles	33,16.54	20,51.70	5,13.85	48,54.39	12,77.93	7,93.25	0.87	3,10.84	17,61.21	30,93.18	—	30,93.18	20,38.61
5 Furniture/ Office Equipment	39,74.15	4,53.80	74.92	43,53.03	18,65.66	4,33.95	—	44.18	22,55.43	20,97.60	—	20,97.60	21,08.49
6 Vehicles taken on lease	74.28	—	57.90	16.38	48.61	8.36	—	41.41	15.56	0.82	—	0.82	25.67
7 Assets on Finance Lease													
a) Plant and Machinery	146,44.88	—	47,64.25	98,80.63	120,02.35	4,25.42	—	38,62.85	85,64.92	13,15.71	(5,89.39)	7,26.32	19,15.27
b) Vehicles	229,24.93	—	23,49.61	205,75.32	212,96.81	4,95.25	—	19,79.82	198,12.24	7,63.08	19,72.92	27,36.00	46,64.31
c) Furniture/Office Equipment	4,32.09	—	1,94.46	2,37.63	2,90.34	8.03	—	1,50.34	1,48.03	89.60	(14.31)	75.29	64.63
8 Intangible Assets													
Computer Software	5,86.61	2,31.50	—	8,18.11	2,81.88	1,88.41	—	—	4,70.29	3,47.82	—	3,47.82	3,04.73
Total	625,61.87	32,76.69	86,20.58	572,17.98	442,70.01	33,96.05	0.87	66,62.74	410,04.19	162,13.79	13,69.22	175,83.01	205,23.67
Work in Progress	1,09.24	23.38	1,09.24	23.38	—	—	—	—	—	23.38	—	23.38	1,09.24
Grand Total	626,71.11	33,00.07	87,29.82	572,41.36	442,70.01	33,96.05	0.87	66,62.74	410,04.19	162,37.17	13,69.22	176,06.39	206,32.91

* Finance Lease Depreciation of Rs.9,28.70 Lakhs has been netted off against Lease Income

SCHEDULES

	(Rs. in Lakhs)	
	31.03.2006	31.03.2005
6 INVESTMENTS		
Long Term - At Cost		
A. In Government / Trust Securities		
Quoted	174,63.73	126,07.67
Unquoted	95,95.48	69,10.66
B. In Equity Shares		
Quoted	12,64.36	12,77.16
Unquoted - Associates	48,27.65	30,97.08
Unquoted - Others	2,81.45	1,69.06
C. In Bonds / Debentures		
Quoted	141,00.06	124,20.39
Unquoted	80,23.80	86.67
D. Others	10,37.96	26,03.52
Current Investments		
A. In Government / Trust Securities		
Quoted	58,05.58	60,00.51
Unquoted	76,71.31	6,10.64
B. In Bonds / Debentures	60,77.49	14,89.82
C. Others		
Quoted	10,07.40	-
Unquoted	4,81.79	-
Total	<u>776,38.06</u>	<u>472,73.18</u>

SCHEDULES

	31.03.2006		(Rs. in Lakhs) 31.03.2005	
7 Current Assets				
a) Stock-on-hire and bills purchased				
Net Investment in Stock-on-hire		361,45.40		418,90.27
Reposessed assets		8,19.11		5,54.65
Debtors on Securitisation		8,28.18		–
Trade bills purchased (unsecured, considered good)				
Outstanding for a period exceeding six months	2,26.00		2,26.00	
Others	1,66.36	3,92.36	1,42.21	3,68.21
Net Investment in lease		47,75.20		47,26.32
		429,60.25		475,39.45
b) Interest accrued on investments		4,23.09		3,42.29
c) Cash and bank balances				
With scheduled banks in				
Current Accounts	59,01.48		37,26.17	
Unpaid dividend account	16.28		24.73	
Deposit accounts	184,19.82		101,47.42	
Remittances in Transit	–		12.20	
Cash on hand	15,36.82		13,74.29	
Stamps and Stamp Papers on hand	31.01	259,05.41	14.31	152,99.12
d) SFL Shares trust		9,74.41		9,74.41
		702,63.16		641,55.27

SCHEDULES

	(Rs. in Lakhs)	
	31.03.2006	31.03.2005
8 Loans and Advances		
Unsecured unless otherwise stated:		
Considered good :		
Loans - Secured	4948,94.54	4302,31.36
- Unsecured	18,46.34	12,54.30
Advance Income Tax and Tax Deducted at Source (Net of Provision for Taxation)	55,64.28	63,80.11
Advances and deposits recoverable in cash or kind or for value to be received	52,76.51	38,74.99
Advance for purchase of assets		
– Business Assets	228,76.98	118,84.19
– Others	67.89	22.98
Income receivable	83,95.35	65,90.01
	<u>5389,21.89</u>	<u>4602,37.94</u>
9 Current Liabilities *		
Sundry Creditors		
– For expenses	194,84.32	138,41.68
– For other finance	163,30.27	128,03.57
– For Unexpired Insurance Risk	155,89.44	108,44.77
Unpaid dividend	16.28	24.73
Interest accrued but not due	82,35.09	92,80.28
	<u>596,55.40</u>	<u>467,95.03</u>
* There are no amounts due and outstanding to be credited to Investor Education and Protection Fund		
10 Provisions		
Non-performing assets	41,36.59	48,26.46
Investments	6,19.50	7,25.77
Final dividend	37,49.76	4,16.64
Dividend Tax and Surcharge	5,25.90	58.44
	<u>90,31.75</u>	<u>60,27.31</u>

SCHEDULES

(Rs. in Lakhs)

	2005-06	2004-05
11 Income from Operations		
Hire Purchase / Hypothecation Loans (net) (tax deducted at source Rs. 275.25 lakhs)	401,03.21	358,29.07
Insurance Premium Earned (net)	248,59.69	172,99.29
Interest on Loans (tax deducted at source Rs.3.27 lakhs)	83,85.81	63,60.73
Lease (net)	19,78.37	28,18.63
Investments (tax deducted at source Rs. 103.33 lakhs)	37,16.33	33,09.16
Investment Management and advisory fee (tax deducted at source Rs. 116.70 lakhs)	19,17.38	12,01.95
Bills Purchased	1,74.13	1,17.05
Loan Processing and other fees	4,50.96	4,29.00
Services (tax deducted at source Rs. 125.17 lakhs)	15,76.33	8,63.88
Recovery of Bad debts and Recovery of Loss on Sale of assets	11,27.21	9,80.95
Profit on Sale of Leased Assets	3,48.76	4,36.64
Trading of Computer Accessories and Software	72.27	30.57
Others	14,68.18	7,57.42
	<u>861,78.63</u>	<u>704,34.34</u>
12 Other Income		
Interest receipts (tax deducted at source Rs. 12.30 lakhs)	7,79.36	2,64.99
Dividend	6,50.56	7,83.64
Rent receipts (tax deducted at source Rs.100.08 lakhs)	65.62	48.17
Profit on sale of assets	1,79.97	5.63
Miscellaneous income	3,01.59	2,25.20
	<u>19,77.10</u>	<u>13,27.63</u>
13 Financial Expenses		
Interest – Fixed loans	193,30.39	168,68.62
– Debentures	88,71.23	65,53.71
– Others	26,52.01	18,14.96
Other financial expenses	20,10.98	11,14.99
	<u>328,64.61</u>	<u>263,52.28</u>

SCHEDULES

	(Rs. in Lakhs)	
	2005-06	2004-05
14 Establishment Expenses		
Salaries, allowances, commission and bonus	81,25.27	69,91.27
Company's contribution to Provident Fund, Superannuation and Employees' State Insurance schemes	4,45.09	4,05.68
Staff welfare expenses	5,54.68	4,56.78
Gratuity	1,44.91	1,07.03
	92,69.95	79,60.76
15 Administrative and Other expenses		
Rent	7,65.64	6,41.26
Rates and taxes	1,95.31	1,35.67
Communication expenses	9,70.75	10,37.91
Electricity expenses	3,90.14	4,91.11
Travelling and conveyance (net)	12,10.62	11,59.27
Advertisement charges	12,38.92	8,09.26
Marketing and related expenses	16,05.51	84.70
Outsourcing Cost	23,13.91	8,70.46
Directors' sitting fee	29.70	35.55
Insurance	80.33	98.72
Repairs to buildings	48.03	93.05
Repairs to machinery	14,54.87	8,09.92
Donations	87.86	3,56.95
Miscellaneous expenses	20,12.12	27,31.60
	124,03.71	93,55.43
16 Provisions and Write off		
Bad Debts	11,26.63	12,96.39
Loss on Assets sold/written off	5,85.54	7,33.95
Loss on sale of investments	1,06.65	1,96.78
Provision against Investments	(1,06.27)	2,60.35
	17,12.55	24,87.47
Less: Reversal of –		
Provision against non-performing assets	6,21.12	13,76.58
Diminution in Value of Investments	3.25	2,07.63
	10,88.18	9,03.26

SCHEDULES

17 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1.1 SIGNIFICANT ACCOUNTING POLICIES

1.1.1 The parent company M/s Sundaram Finance Ltd. follows the directions prescribed by the Reserve Bank of India for Non-Banking Financial Companies, while the subsidiaries, Sundaram Home Finance Limited and Royal Sundaram Alliance Insurance Company Limited follow the directions prescribed by the National Housing Bank for Housing Finance Companies and the Insurance Regulatory and Development Authority respectively.

1.1.2 Income Recognition:

- a) Income from Hire Purchase, Hypothecation loan transactions and Housing Finance loan transactions is accounted on the basis of the Internal Rate of Return method.
- b) Lease income is accounted as per the terms of the lease agreements for contracts entered into upto 31st March 2001. Income from leases entered into on or after 1st April, 2001 is accounted as per the Accounting Standard 19 - 'Leases' issued by ICAI.
- c) Income from Services, Trading Activities and Insurance Agency Commission is recognised on accrual basis.
- d) Premium from Insurance business is recognised as income over the contract period or period of risk, as appropriate, after adjusting for unearned premium (unexpired risk) and premium deficiency, if any.
- e) Trusteeship fee, Investment management and advisory fee are accounted on accrual basis.

1.1.3 Fixed Assets and Depreciation / Amortisation:

Fixed assets are stated at historical cost less accumulated depreciation. The Value of assets on Finance Lease is further adjusted for balance in Lease Adjustment Account.

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 fully depreciated. Cost of assets given on lease is amortised during the lease period, for all leased assets acquired prior to 01.04.2001 as recommended in the "Guidance Note on Accounting for Leases (Revised)" issued by ICAI. Lease Equalisation Account, which represents the excess/shortfall of annual lease charge when compared with statutory depreciation, is recognised.

Cost of assets taken on lease on or after 01st April, 2001 is amortised over the lease tenure as per the Accounting Standard 19 - 'Leases' issued by ICAI, based on the capital recovery method.

1.1.4 Valuation of Investments:

Long-term investments are stated at cost and provision for diminution in value, other than temporary, is been considered wherever necessary.

Current investments are valued at lower of cost and market value/ net asset value.

1.1.5 Foreign Currency Loans:

Foreign exchange transactions covered by forward contracts are stated at the forward contract rates while those not so covered are re-stated at rates ruling at the year-end. Exchange differences resulting in income or expense are dealt with in the profit and loss account. Premium on forward contracts is recognised as an expense over the tenure of the contract.

1.1.6 Retirement Benefits:

- a) Liability towards gratuity to the employees is covered by a Group Policy with Life Insurance Corporation of India and SBI Life Insurance Company Ltd.
- b) Liability on account of Superannuation benefits to employees is covered by means of a group policy with Life Insurance Corporation of India.
- c) Liability on account of encashment of leave to employees is provided on the basis of an actuarial valuation as on 31st March 2006.

SCHEDULES**17 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Contd.)****1.1.7 Taxation:**

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

Deferred tax liability and the timing differences have been fully provided for. Deferred tax assets are recognized on the consideration of prudence.

1.1.8 Intangible Assets:

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

1.1.9 Impairment of Assets:

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

1.1.10 Provisions:

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

1.2 Basis of Presentation:

The financial statements have been 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 ICAI, to the extent applicable.

1.3 Basis of Consolidation:

- a) The Consolidated Financial Statements include the Financial Statements of Sundaram Finance Ltd. and its Subsidiaries, namely Sundaram Home Finance Ltd., Sundaram Finance Distribution Ltd., Sundaram BNP Paribas Asset Management Company Ltd., Sundaram BNP Paribas Trustee Company Ltd., Royal Sundaram Alliance Insurance Company Ltd., LGF Services Ltd., Sundaram Infotech Solutions Ltd. and Sundaram Business Services Ltd.

Name of the Subsidiary	Country of incorporation	Proportion of ownership interest (%)
Sundaram Home Finance Limited	India	75.00
Sundaram Finance Distribution Limited	India	100.00
Sundaram BNP Paribas Asset Management Company Limited	India	50.10
Sundaram BNP Paribas Trustee Company Limited	India	50.10
Royal Sundaram Alliance Insurance Co. Limited	India	55.98
LGF Services Limited	India	100.00
Sundaram Infotech Solutions Limited	India	100.00
Sundaram Business Services Limited	India	100.00

- b) The company has the following investments in Associates for which the required treatment as per Accounting Standard 23 - Accounting for Investments in Associates has been given in the Consolidated Financial Statements.

Name of the Associates	Country of Incorporation	Proportion of ownership interest (%)
Axles India Ltd. *	India	23.77
Turbo Energy Ltd.*	India	32.00
Transenergy Ltd. *	India	42.31
Sundaram Dynacast Pvt. Ltd.	India	26.00
InFreight Technologies India Ltd*.	India	40.00

* Considered on the basis of Unaudited financial statements

SCHEDULES

17 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Contd.)

- c) The Consolidated Financial Statements have been prepared on the following basis.
- The Financial Statements of the Parent Company and its Subsidiary Companies have been consolidated on a line-by-line basis, by adding together the book values of like items of assets, liabilities, income and expenses, after fully eliminating intra-group balances and intra-group transactions resulting in unrealised profits or losses.
 - The Consolidated Financial Statements have been prepared by adopting Uniform Accounting Policies except the subsidiary, Royal Sundaram Alliance Insurance Co. Ltd., which depreciates Information technology software, vehicles using straight-line method of depreciation.
 - The associate, Sundaram Dynacast Pvt. Ltd.'s reporting date was 31.12.2005 and the Financial statements as on that date have been considered for the purpose of preparation of Consolidated Financial Statements.

2. GENERAL

2.1 Profit on sale of shares:

Equity shares in Sundaram Asset Management Company Ltd. and Sundaram Finance Trustee Company Ltd. representing 49.90% of their respective share holdings were sold to BNP Paribas Asset Management, France during the year.

2.2 Change in method of Depreciation by Royal Sundaram Alliance Insurance Co. Ltd. (Royal Sundaram)

During the year, Royal Sundaram has changed its accounting policy on depreciation of vehicles (both owned and leased vehicles) from 25.89% Written Down Value method to 22.5% Straight Line method on 90% of the vehicle cost (10% of the vehicle cost is taken as the residual value). Consequent to this change, the depreciation charge is higher by Rs.7,50,781/-. Accordingly the operating profit from Fire Business is lower by Rs.1,50,180/-, operating loss from Marine Business is higher by Rs.29,939/-, operating loss from Miscellaneous Business is higher by Rs.5,70,660/- and the Profit and Loss Account for the year is lower by Rs.7,50,781/- and debit balances in Profit and Loss Account is higher by the corresponding amount.

2.3 Participation in Terrorism Pool:

Royal Sundaram has changed its accounting policy for creation of Unexpired Risk Reserve from 50% to 100% of the Net Premium retroceded to the Company from the Pool during the year. Due to the change, the surplus in the Fire Revenue Account is lower by Rs.59,10,881/- and deficit in Miscellaneous Revenue Account is higher by Rs.5,34,000/-. Correspondingly the reserve for Unexpired Risk for Fire and Miscellaneous is more by Rs.59,10,881/- and Rs.5,34,000/- respectively.

2.4 Brokerage on Deposits paid by Sundaram Home Finance Ltd. (SHFL)

During the year, SHFL has changed the method of accounting of brokerage paid on deposits accepted by the company. Hitherto, brokerage paid was written off in the year of accepting the deposits. From the current year, brokerage is amortised over the tenure of the deposit. Consequently, brokerage expense for the year is lower by Rs.1,88,742/- and the profit before depreciation and tax for the year is higher by a corresponding amount.

2.5 Upfront Brokerage on Subscription paid by Sundaram BNP Paribas Asset Management Co. Ltd.

- 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.

SCHEDULES

17 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Contd.)

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.

2.6 Renovation Expenses paid by Sundaram BNP Paribas Asset Management Co. Ltd.

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/-.

2.7 Expenses incurred by Sundaram BNP Paribas Asset Management Co. Ltd. pertaining to a prior year, determined during the year have been accounted as prior period expenses.

2.8 Reduction of Share Capital in Sundaram Finance Distribution Ltd. (SFDL): SFDL has reduced the paid-up share capital from Rs. 1,50,00,000 (15,00,000 Equity shares of Rs.10/- each) to Rs. 50,00,000 (5,00,000 Equity shares of Rs.10/- each) under the scheme of capital reduction approved by the Hon'ble High Court of Madras vide order dated 23/12/2005. Payment has been made to Sundaram Finance Ltd. for Rs.1,00,00,000 towards reduction in the paid-up share capital.

2.9 Segmental Reporting

(Rs. in Lakhs)

Business Segments	Asset Financing		Insurance		Other Operations		Consolidated Total	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
REVENUE								
Segment Revenue	557,97.96	501,77.24	270,58.72	186,76.48	77,37.35	52,70.98	905,94.03	741,24.70
Less: Inter Segment	15.54	3,73.06	3,92.12	67.86	37,77.25	27,48.34	41,84.91	31,89.26
Total Revenue	557,82.42	498,04.18	266,66.60	186,08.62	39,60.10	25,22.64	864,09.12	709,35.44
RESULT								
Segment Result	116,19.34	126,33.07	10,14.86	5,46.75	12,96.23	5,11.70	139,30.43	136,91.52
Unallocated items	—	—	—	—	—	—	87,77.33	(6,64.36)
Profit before tax	—	—	—	—	—	—	227,07.76	130,27.16
Less : Income tax	—	—	—	—	—	—	42,68.81	48,01.66
Add : Share of Profit in Associates	—	—	—	—	—	—	18,81.57	10,15.37
Less : Minority Interest	—	—	—	—	—	—	5,17.70	3,20.74
Profit after Tax	—	—	—	—	—	—	198,02.82	89,20.13
OTHER INFORMATION								
Segment Assets	6509,55.00	5508,36.85	449,24.65	326,38.80	29,85.58	24,43.55	6988,65.23	5859,19.20
Segment Liabilities	5774,89.98	4927,33.73	327,86.82	223,56.63	5,96.80	2,88.58	6108,73.60	5153,78.94
Capital Expenditure	40.41	73.98	23.48	99.27	--	--	63.89	1,73.25
Depreciation	19,11.84	20,07.92	4,95.45	4,52.06	60.93	3,33.01	24,68.22	27,92.99
Non-cash expenses other than depreciation	47.50	--	--	10.32	1.95	0.77	49.45	11.09

SCHEDULES

17 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Contd.)

2.10 Related Party Disclosures

2.10.1 Related parties:

Associates

Axles India Limited	Sundaram Medical Foundation
Turbo Energy Limited	Transenergy Limited
Sundaram BNP Paribas Mutual Fund	Sundaram Dynacast Private Limited
InFreight Technologies India Limited	

Key Management Personnel

Sri T.T.Srinivasaraghavan, Managing Director
Sri G.K.Raman, Wholetime Director
Sri Srinivas Acharya, Deputy Managing Director

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

Nature of Transactions	Associates	Key Management Personnel	Relatives of Key Management Personnel	Total 2005-06	Previous Year 2004-05
INCOME					
Income from Services rendered					
Axles India Ltd.	99.52				
Sundaram BNP Paribas Mutual Fund	1,65.57				
Total	2,65.09			2,65.09	1,28.52
Dividend					
Axles India Ltd.	36.37				
Turbo Energy Ltd.	1,92.00				
Total	2,28.37			2,28.37	3,75.81
Rent Receipts					
Turbo Energy Ltd.	9.50			9.50	11.51
Other Income	18.75	1.46		20.21	61.56
EXPENSES					
Interest		1.65	3.24	4.89	11.43
Remuneration		1,81.03		1,81.03	1,07.08
Others	1.00			1.00	2,52.10
ASSETS					
Intercorporate Loans					
InFreight Technologies India Ltd.	85.00			85.00	
Investments in Trust Securities					
Sundaram BNP Paribas Mutual Fund	80,00.00			80,00.00	136,75.00
Disinvestments in Trust Securities					
Sundaram BNP Paribas Mutual Fund	23,21.05			23,21.05	143,11.77
Investment in Trust Securities - at the end of the year					
Sundaram BNP Paribas Mutual Fund	65,00.00			65,00.00	5,00.00
Future Lease Receivables					
Axles India Ltd.	21.88				
Turbo Energy Ltd.	34.16				
Total	56.04			56.04	38.04
Other Assets	5.62	34.08		39.70	11.11
LIABILITIES					
Deposits		24.17	64.62	88.79	1,49.40
Other Liabilities					5.60

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

SCHEDULES

17 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Contd.)

	2005-06	2004-05
2.11 Earnings per Share (Basic and diluted)		
A. Profit for the year after taxation (Rs. in lakhs)	198,02.82	89,20.13
B Number of equity shares of Face Value of Rs.10/- outstanding (in numbers)	2,77,75,965	2,40,00,000
C Share Capital Suspense Account (in terms of number of shares)	–	37,75,965
D Total (B + C)	2,77,75,965	2,77,75,965
E Basic and diluted earnings per share (A/D) (in Rs.)	71.29	32.11

	(Rs. in lakhs)	
	As at 31.03.2006	As at 31.03.2005
2.12 Contingent liabilities in respect of		
a) Liability –		
To Banks – On Cheques discounted	27,00.58	17,17.11
– On Counter Guarantee	46.83	58.73
– On letters of credit	Nil	9.46
To Sales Tax Authorities	15.27	11.12
b) Claims against the company not acknowledged as debts	3,36.74	12,90.84

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

Signatures to Schedules 1 to 17

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

L. Ravi Sankar
Partner

Chennai,
31st May, 2006

S. Viji
Chairman

T.T. Srinivasaraghavan
Managing Director

Srinivas Acharya
Deputy Managing Director

S. Venkatesan
Executive Director (Finance) & Secretary

S. Ram

S. Narayanan

A. Rangaswami

S. Padmanabhan

T.R. Seshadri
Directors

Consolidated Cash Flow Statement

(Rs. in Lakhs)

	2005-06		2004-05*
A) CASH FLOW FROM OPERATING ACTIVITIES:			
Net Profit	196,48.00		88,89.29
Add: Lease Equalisation Account	20,97.62		41,32.89
Provision for Taxation (Including Wealth Tax)	42,68.81		48,01.67
	260,14.43		178,23.85
Add: Financial Expenses	328,64.61	588,79.04	442,20.29
Dividend received from Associates		2,28.37	3,70.78
Depreciation		33,96.92	46,55.00
Profit attributable to Minority Interests		5,17.70	3,20.74
Provision against Investments		(1,06.27)	2,60.35
Diminution- Value of investments		(3.25)	(2,07.63)
Provision against Non - Performing assets		(6,21.12)	(13,76.59)
(Profit) loss on assets		(5,10.48)	(1,60.07)
(Profit) loss on Investments		(92,93.66)	(5,33.11)
Interest / Dividend Received		(39,25.29)	(34,44.74)
Effect of foreign exchange rate changes		3.40	-
Less: Share of Profits from Associates		(18,81.57)	(10,15.37)
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	466,83.79		430,89.65
(Increase) Decrease in net stock on hire	54,85.15		11,93.47
(Increase) Decrease in leased assets - net of sales	(12,93.28)		1,67.89
(Increase) Decrease in Trade Bills purchased	(24.15)		8,02.93
(Increase) Decrease in Net Investment in Lease	(27.15)		(31.76)
(Increase) Decrease in Loans and Advances	(785,63.36)		(964,51.42)
(Increase) Decrease in Other Receivables	(21,68.13)		(18,19.75)
(Increase) Decrease in Bank Deposits (net)	(66,20.46)		(33,13.12)
(Increase) Decrease in SLR Investments - net of sales	14,72.99		3,83.43
Increase (Decrease) in Current Liabilities	135,63.23	(681,75.16)	(931,15.50)
Cash generated from Operations	(214,91.37)		(500,25.85)
Financial Expenses	(328,64.61)		(263,96.44)
Direct Taxes Paid	(43,26.99)	(371,91.60)	(67,67.88)
NET CASH FROM OPERATING ACTIVITIES	(586,82.97)		(831,90.17)
B) CASH FLOW FROM INVESTING ACTIVITIES			
Redemption of Deposits	0.25		-
Loans-Secured	11.30		(11.30)
Purchase of Fixed Assets	(14,41.08)		(21,77.85)
Sale of Fixed Assets	6,21.07		75.06
Purchase of Investments	(1270,77.74)		(1614,81.07)
Sale of Investments	1065,14.66		1592,46.87
Interest Received	32,37.16		26,60.54
Dividend Received	7,52.39		7,84.20
NET CASH FROM INVESTING ACTIVITIES	(173,81.99)		(9,03.55)
C) CASH FROM FINANCING ACTIVITIES			
Subordinate Debt	50,00.00		-
Proceeds from issue of debentures	1632,00.00		1065,00.00
Debentures Redeemed	(1582,00.00)		(808,00.00)
Increase (Decrease) in long term borrowings	744,80.76		375,83.74
Increase (Decrease) in Fixed Deposits	(123,78.98)		(115,82.92)
Increase (Decrease) in short term loans and advances	71,79.20		371,56.68
Dividend paid (including Corporate Dividend Tax)	(4,75.77)		(42,25.36)
Increase in Share capital	15,51.89		-
Reduction of share capital	(1,00.00)		-
NET CASH FROM FINANCING ACTIVITIES	802,57.10		846,32.14
Effect of foreign exchange rate changes	(3.40)		-
NET INCREASE IN CASH AND CASH EQUIVALENTS(A)+(B)+(C)+(D)	41,88.74		5,38.42
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	51,51.71		46,13.29
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	93,40.45		51,51.71
COMPONENTS OF CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR			
Current Account with Banks	59,17.76		37,50.90
Cash, Stamps and Stamp Papers on Hand	15,67.83		14,00.81
Deposits - Short Term - maturing shortly	18,54.86		-

*Non cash items pertaining to Amalgamation have been excluded in Cash Flow Statement

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

S. Viji
Chairman

T.T. Srinivasaraghavan
Managing Director

S. Ram
S. Narayanan

L. Ravi Sankar
Partner
Chennai
31st May, 2006

Srinivas Acharya
Deputy Managing Director

A. Rangaswami
S. Padmanabhan

S. Venkatesan
Executive Director (Finance) & Secretary

T.R. Seshadri
Directors

Auditors' Report to the Board of Directors of Sundaram Finance Limited on the Consolidated Financial Statements

We have examined the attached consolidated balance sheet of Sundaram Finance Limited, Chennai its subsidiaries and associate companies as at 31st March, 2006, the Consolidated Profit and Loss Account for the year ended on that date and the consolidated cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the management of Sundaram Finance Limited. Our responsibility is to express an opinion on these financial statements, based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in India. These Standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework and are free of material misstatements. 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 management, as well as evaluating the overall financial statements. We believe that our audit provides a reasonable basis for our opinion.

The financial statements of eight subsidiary companies and five associate companies have been considered for the purposes of consolidation. The financial statements of two subsidiary companies reflecting total assets of Rs.46,831.44 lakhs as at 31st March, 2006 and total revenue of Rs.45,889.69 lakhs for the year ended on that date, the financial statements of one associate company reflecting

total assets of Rs.798.28 lakhs as at 31st December, 2005 and total revenue of Rs.1,124.87 lakhs for the year ended on that date have been audited by other auditors, whose reports have been furnished to us. We have relied upon these reports for the purpose of the amounts included in respect of the above companies in the consolidated financial statements.

The financial statements of four other associate companies reflecting total assets of Rs.31,947.76 lakhs as at 31st March, 2006 and total revenue of Rs.63,702.97 lakhs for the year ended on that date are based on their unaudited financial statements as on 31st March, 2006.

We report that the consolidated financial statements have been prepared by the company in accordance with the requirements of Accounting Standard -

AS 21 – Consolidated Financial Statements

AS 23 – Accounting for Investments in Associates in Consolidated Financial Statements.

issued by the Institute of Chartered Accountants of India and on the basis of the separate audited financial statements of Sundaram Finance Limited, its eight subsidiaries and the audited/ unaudited financial statements of its five associate companies, as mentioned above, included in the consolidated financial statements.

On the basis of the information and explanations given to us and on the consideration of the separate audit reports of individual

audited financial statements of Sundaram Finance Limited, its subsidiaries and the audited / unaudited financial statements of associate companies, we are of the opinion that in conformity with the accounting principles generally accepted in India,

- a) the Consolidated Balance Sheet gives a true and fair view of the consolidated state of affairs of Sundaram Finance Limited, its subsidiaries and associate companies as at 31st March, 2006,
- b) the Consolidated Profit and Loss Account gives a true and fair view of the consolidated results of operations of Sundaram Finance Limited, its subsidiaries and associate companies for

the period ended 31st March, 2006 and

- c) the Consolidated cash flow statement gives a true and fair view of the consolidated cash flows of Sundaram Finance Limited, its subsidiaries and associate companies for the year ended 31st March, 2006.

For BRAHMAYYA & CO.,
Chartered Accountants

L. RAVI SANKAR

Place : Chennai

Partner

Dated : 31st May, 2006.

Membership No. 25929

FINANCIAL INFORMATION OF SUBSIDIARY COMPANIES FOR THE YEAR ENDED 31.03.2006

(As per approval under Section 212(8) of the Companies Act, 1956)

(Rs. in Lakhs)

Description	Sundaram Home Finance Ltd.	Royal Sundaram Alliance Insurance Company Ltd.	Sundaram BNP Paribas Asset Management Company Ltd.	Sundaram BNP Paribas Trustee Company Ltd.	Sundaram Finance Distribution Ltd.	LGF Services Ltd.	Sundaram Business Services Ltd.	Sundaram Infotech Solutions Ltd.
Share Capital	70,00.00	140,00.00	15,33.32	5.00	50.00	5.00	5.00	1,00.00
Reserves	29,49.51	(18,74.56)*	4,75.69	6.06	1,55.91	57.53	(0.34)*	(70.81)*
Total Assets	1046,87.07	121,29.47	20,11.70	11.26	2,05.91	62.53	4.66	1,79.30
Total Liabilities	947,37.56	4.03	2.69	0.20	—	—	—	1,50.11
Investment	39,51.74	366,50.04	5,27.31	3.00	1,80.34	8.25	—	—
Turnover	93,38.16	270,58.72	20,35.31	25.95	2,84.47	2,78.97	—	3,26.91
Profit Before Taxation	7,71.81	10,14.86	49.97	5.65	1,32.84	1,39.66	(0.34)	(69.62)
Provision for Taxation	1,85.62	1,51.47	30.35	2.01	32.54	47.02	—	(1.19)
Profit After Taxation	5,86.19	8,63.39	19.62	3.64	1,00.30	92.64	(0.34)	(70.81)
Proposed Dividend	—	—	—	—	50.00	50.00	—	—

* Represents Debit balance in P & L Account

The Sundaram Finance Branch Network

TAMIL NADU	: Chennai (Adyar, Anna Nagar, Parry's Corner, Whites Road - two branches, T. Nagar, Tambaram), Attur, Chengalpattu, Coimbatore (Avanashi Road, R S Puram), Dharmapuri, Dindigul, Erode, Hosur, Kancheepuram, Karaikudi, Karur, Kumbakonam, Madurai, Namakkal, Ooty, Pattukottai, Perambalur, Pollachi, Pudukkottai, Ramnad, Ranipet, Salem, Sankari, Sivakasi, Tiruvannamalai, Tiruvarur, Thanjavur, Theni, Tiruchengode, Tiruchy, Tirunelveli, Tiruppur, Tiruvellore, Tuticorin, Vellore (TKM Complex, G D S Complex), Villupuram.
PONDICHERRY	: Pondicherry.
ANDHRA PRADESH	: Anantapur, Bhimavaram, Chittoor, Cuddapah, Guntur, Hanuman Junction, Hyderabad (Raj Bhavan Road, Somajiguda – two branches), Kakinada, Kanchikacherala, Karimnagar, Khammam, Kodad, Kothagudem, Kurnool, Nellore (Dargamitta, Ravulla Shopping Arcade), Nizamabad, Ongole, Rajahmundry, Srikakulam, Tirupathi, Vijayawada - Chandramoulipuram (two branches), Visakhapatnam (Dwaraka Nagar, CBM Compound), Warangal.
KARNATAKA	: Bangalore (Manipal Centre, Jayanagar, Wilson Garden), Basavakalyan, Belgaum, Bellary, Gulbarga, Hassan, Hubli, Mangalore, Mysore, Raichur, Shimoga, Udupi.
KERALA	: Alapuzha, Attingal, Ernakulam (P T Usha Road, Chittoor Road), Kannur, Kattapana, Kayamkulam, Kollam, Kottayam, Kozhikode, Manjeri, Muvattupuzha, Palakkad, Pathanamthitta, Perinthalmanna, Sulthan Bathery, Thalassery, Thiruvananthapuram, Thrissoor, Tirur, Vadakara.
MAHARASHTRA	: Mumbai - R.O (Carnac Bunder, Chembur, Nariman Point, Vashi (Navi Mumbai)), Amaravathi, Aurangabad, Jalgaon, Kolhapur, Nagpur, Nanded, Nasik, Pune, Ratnagiri.
GOA	: Panjim.
GUJARAT	: Ahmedabad, Baroda, Gandhidham, Jamnagar, Rajkot, Surat.
MADHYA PRADESH	: Bhopal - R.O (M P Nagar), Gwalior, Indore (South Tukoganj, Geetha Bhavan Square), Jabalpur, Sendhwa.
NEW DELHI	: New Delhi - R.O (Ashoka Estate, Punjabi Bagh, Rajendra Place & East Delhi).
HARYANA	: Ambala, Faridabad, Gurgaon, Yamunanagar.
PUNJAB	: Bhatinda, Jullundhar, Ludhiana, Moga, Sangrur.
CHANDIGARH	: Chandigarh.
RAJASTHAN	: Ajmer, Bhilwara, Chittorgarh, Jaipur, Jodhpur, Kota, Udaipur.
UTTAR PRADESH	: Kanpur.
WEST BENGAL	: Asansol, Durgapur, Kolkatta, Siliguri.
JARKHAND	: Jamshedpur.
UTTARANCHAL	: Dehra Dun.
ORISSA	: Angul, Bhubaneswar, Sambalpur.
HIMACHAL PRADESH	: Solan