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BOARD OF DIRECTORS

MANAGING DIRECTOR
Sri R Kannan

COMPANY SECRETARY
Sri J Radhakrishnan

SHARE TRANSFER AGENTS
Integrated Enterprises (India) Ltd.,
2nd Floor, Kences Towers
No.1, Ramakrishna Street,
Off: North Usman Road,
T. Nagar, Chennai 600 017.
Ph :28140801- 0803

DIRECTORS
Sri S Venkatakrisnan
Sri S Krishnamurthy
Dr T S Sethurathnam
(Nominee of IREDA Ltd)

AUDITORS
Pijush Gupta & Co.,
Chartered Accountants

REGISTERED OFFICE : 123, Angappa Naicken Street, Chennai 600 001
Phone : 25341431

SECRETARIAL OFFICE : 4th Floor, Mookambika Complex, 4, Lady Desika Road, Mylapore, Chennai 600004.
Phone: 24990356, 24990960 Fax : 24993272

ADMINISTRATIVE OFFICE : New No.221 (Old No.129) Royapettah High Road, Mylapore, Chennai 600 004.
Phone : 43915300 – 04 Fax : 43915351

BANKERS

Bank of Maharashtra ● Bank of Rajasthan Ltd. ● City Union Bank Ltd. ● ING Vysya Bank ● Indian Overseas Bank ● Lord Krishna Bank ● Punjab National Bank ● UCO Bank

BRANCHES : Include

Adoni, Agra, Ahmedabad, Ahmednagar, Ajmer, Akola, Aligarh, Allahabad, Alwar, Amalapuram, Amaravathi, Amritsar, Anand, Anantapur, Angul, Aurangabad, Azadpur, Azamgarh, Bangalore, Barielly, Barmer, Baroda, Begusarai, Belapur, Belgaum, Bellary, Berhampur, Bharatpur, Bhagalpur, Bharaich, Bhatinda, Bhilai, Bhilwara, Bhimavaram, Bhiwari, Bhopal, Bhubaneshwar, Bicholim, Bijapur, Bikaner, Bilaspur, Bodeli, Boisar, Bokaro, Borivli, Burdwan, Calicut, Chandigarh, Chandrapur, Chembur, Chennai, Chinchwad, Chindwara, Chittorgarh, Chandikhole, Coimbatore, Cuttak, Dahisar, Dausa, Davangere, Dehradun, Dhanbad, Dharwad, Dhulia, Durgapur, Ernakulam, Faizabad, Faridabad, Farookhabad, Gandhidham, Ganganagar, Ghaziabad, Goa, Gorakhpur, Gulbarga, Gudiwada, Guntur, Gurgaon, Gwalior, Haldia, Haldwani, Himmathnagar, Hassan, Hissar, Hubli, Indore, Jabalpur, Jagathamba, Jagdalpur, Jaipur, Jaisalmer, Jalagon, Jalandher, Jalore, Jamshedpur, Jhunjhunu, Jodhpur, Kaithal, Kakinada, Kankavli, Kannur, Kanpur, Karnal, Karol Bagh, Katni, Kochi, Kolhapur, Kolkata, Kollam, Korba, Kota, Kotputli, Kukat Pally, Kumta, Kurnool, Lakhimpur-kheri, Latur, Lucknow, Ludhiana, Madurai, Mandapeta, Mandi, Mangalore, Margao, Masjid, Matunga, Meerut, Mehsana, Moga, Moradabad, Mundka, Muzaffarpur, Mysore, Nagpur, Nagaur, Nanded, Nandyal, Nariman Point, Nasik, Nellore, New Delhi, Nizamabad, Ongole, Palakkad, Pandharpur, Panipat, Pathankot, Patiala, Patna, Pimpri, Phusro, Pondicherry, Pune, Raipur, Rajahmundry, Rajkot, Rajnandgaon, Ranchi, Ratlam, Ratnagiri, Renukoot, Rewa, Rohtak, Roorkee, Rourkela, Sadalpur, Sagar, Salem, Sambalpur, Sangli, Sangrur, Satna, Sawai Madhopur, Sewree, Sirohi, Secunderabad, Shahdol, Shimla, Shimoga, Sikar, Siliguri, Sirohi, Solapur, Sonapat, Srikakulam, Surat, Thane, Tirunelveli, Tirupati, Tonk, Trichur, Trichy, Trivandrum, Udaipur, Udipi, Ulhasnagar, Vapi, Varanasi, Vashi, Vidisha, Vellore, Vijayawada, Vile Parle, Vizag, Vizianagaram, Waidhan, Warangal, Yamuna Nagar, Yashwantpur.

Listed on the following Exchanges and the annual listing fees have been duly paid

- Madras Stock Exchange Ltd., Exchange Building, P.B.No.183, No.30 (Old No.11) Second Line Beach, Chennai 600 001.
- Bombay Stock Exchange Ltd., Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai 400 001.
- National Stock Exchange of India Ltd., Exchange Plaza, 5th Floor, Plot No.C/1, G-Block, Bandra Kurla Complex, Bandra East, Mumbai 400 051.

Directors' Report

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Dear Members,

Your Directors have pleasure in submitting their Twentieth Annual Report and the statement of accounts for the year ended 31st March 2006.

FINANCIAL OVERVIEW

a) RESULTS

Rs in Lacs

	Year ended 31st March	
	2006	2005
Profit before depreciation and taxation	5227.82	4138.92
Less : Depreciation	415.38	495.13
Profit before tax	<u>4812.44</u>	<u>3643.79</u>
Less: Provision for taxation (including Provision for Deferred Tax and fringe benefit tax)	1645.15	1333.35
Profit after tax	<u>3167.29</u>	<u>2310.44</u>
Profit available for appropriation	<u>3167.29</u>	<u>2310.44</u>
APPROPRIATIONS		
General Reserve	316.73	231.13
Statutory Reserve	633.46	462.79
Dividend on Cumulative Redeemable Preference Shares of Rs 100/- each fully paid up at the stipulated rates	185.82	227.56
Dividend (Interim 10% and Final 20%) on Equity Shares of Rs 10/- each fully paid up (Previous Year interim 10% and final 15%)	813.00	677.50
Tax on Dividend	140.09	118.28
Balance carried to Balance Sheet	1078.19	593.18
	<u>3167.29</u>	<u>2310.44</u>

B) KEY RATIOS

	2006	2005
Earnings per Share (Rs)	10.91	7.58
Dividend per Share (Rs)	3.00	2.50
Return on Networth (%)	32.69%	29.28%

INDUSTRIAL GROWTH

Industrial growth is driven by robust performances from manufacturing and construction sectors. While manufacturing growth has accelerated steadily from 7.1 per cent in 2003–04 to 9.4 per cent in 2005–06, construction growth has been in double digits in each of the last three years. Substantive commercial bank credit flows to the housing and real estate and retail sectors continue to provide support to the boom in construction and consumer durables.

COMPANY PERFORMANCE

The last Quarter of financial year 2005–06 saw your Company concentrating exclusively on retail loans against Consumer Durables and Two-wheelers, Enterprise Finance and Personal Loans. Your Company's experience of over two decades of lending to the Road Transport sector, and its knowledge of the small-ticket, retail lending market gained over four years in the segment has equipped Shriram City Union Finance Ltd. to aggressively foray into the consumer finance segment. Your Company expects this to be the mainstay of its business over the years to come.

During the year, your Company registered:

- A 20.36 % growth in loans advanced
- A 13 % growth in income
- A 37.09 % growth in Net Profit
- A 47.10 % growth in Reserves
- A 36.51 % growth in total assets

DIVIDEND

At the Board Meeting of the Company held on 29th November 2005, your Directors declared a dividend on Cumulative Redeemable Preference Shares for the year 2005–2006 at the stipulated rates, involving an outflow of Rs.184.65 lacs. The Board now recommends, subject to the approval of Shareholders at the ensuing Annual General Meeting, a dividend of Rs. 1.17 lacs on Cumulative Redeemable Preference Shares further allotted.

The Board of Directors at the meeting held today recommended a final equity dividend of Rs.2.00 per Share of Rs.10/- each for the year 2006, subject to approval of the Shareholders. Together with the interim equity dividend of Re 1.00 per Share paid on November 29, 2005, the total equity dividend for the year works out to Rs.3.00 per Share of Rs.10/- each, amounting to Rs. 813 lacs.

Distribution tax both on the interim and final dividends is being borne by the Company.

RESOURCES

Fixed Deposits/Debentures/Bonds:

It gives us pleasure to report that your Company continues to enjoy the confidence of investors. Total Fixed Deposits outstanding as on 31st March 2006 were Rs.396 lacs. During the year under review, your Company privately placed Rs.5196.94 lacs of Non-convertible Debentures and Rs.3631.16 lacs of Subordinated debts.

Institutional/Bank Finance

Your Company was successful in mobilizing additional resources from Banks and Financial Institutions during the year under review. Despite the increasing interest rates towards the end of the year, your Company was successful in keeping its borrowing costs in check.

The Cumulative Redeemable Preference Shares privately placed stood at Rs.2328.98 lacs as on 31st March 2006.

As on 31st March 2006, the total number of depositors were 1894 and the amount lying to the credit of the fixed deposits was Rs.396 lacs. As on the date of this report, there has been no deposit that has been claimed but not paid. While an amount of Rs. 23.74 lacs pertaining to 218 depositors is outstanding as unclaimed, steps are being taken continuously for the repayment/ renewal of unclaimed deposits.

EMPLOYEE STOCK OPTION SCHEME (ESOS)

The Board at its meeting held today, has subject to necessary statutory approvals and approval of Shareholders at a duly constituted General Meeting approved in principle the issue of Shares under ESOS to eligible employees.

RBI DIRECTIONS

Your Company continues to comply with all the requirements prescribed by Reserve Bank of India

DIRECTORS

The term of office of Sri Akhilesh Kumar Singh as Managing Director expired on 14th September 2005. He had not opted to continue as Director and Managing Director of the Company after the close of office hours on the date specified above. He submitted his resignation to the Board as Managing Director of the Company on 8th September 2005. The Board of Directors express their appreciation to Sri Akhilesh Kumar Singh for the valuable contributions made by him during his tenure as Managing Director. He continues to be associated with Shriram and is concentrating on Shriram's stock broking business.

At the Board Meeting held on 8th September 2005, Sri R Kannan was co-opted as a Director of the Company. The Board at the said meeting appointed Sri R Kannan who has the requisite qualities and experience in the field of finance as the Managing Director of the Company from 15th September 2005 for a period of five years. Sri R Kannan has consented to act as Managing Director of the Company without any remuneration.

Necessary intimation under Section 302(7) of the Companies Act, 1956 has been sent to the Shareholders of the Company on 28th September 2005.

Due to personal reasons, Sri S M Bafna resigned at the Board Meeting held on 8th September 2005 as Director of the Company to be effective from 9th September 2005. The Board places on record its warm sense of appreciation for the distinguished service rendered by him as Director of the Company.

In accordance with the Articles of Association of the Company Sri S Krishnamurthy Director retires by rotation and being eligible offers himself for re-election.

Necessary resolutions are coming up before the Shareholders for your approval with regard to the above at the ensuing Annual General Meeting.

DIRECTORS' RESPONSIBILITY STATEMENT

In compliance of Section 217 (2AA) of the Companies Act, 1956, the Directors of your Company confirm

1. that the applicable accounting standards have been followed in the preparation of final accounts and that there are no material departures ;
2. that such accounting policies have been selected and applied consistently and such judgements and estimates made are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March 2006 and of the profit of the Company for the period ended on that date ;
3. that proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities ;
4. that the annual accounts have been prepared on a going concern basis.

ADMINISTRATIVE OFFICE

With the business operations getting centralised at Chennai consequent to the concentration on Consumer financing by the Company, it was decided at the Board Meeting held on 31st May 2006 to shift the administrative office of the Company from CK 15, Sector II, Salt Lake City, Kolkata-700 091 to No. 221(Old No.129), Royapettah High Road, Mylapore, Chennai 600 004.

AUDITORS

M/S Pijush Gupta & Co., Chartered Accountants, Kolkata, Statutory Auditors of the Company retire at the conclusion of the ensuing Annual General Meeting and offer themselves for re-appointment as the Statutory Auditors of the Company pursuant to Section 224 of the Companies Act, 1956.

Resolution authorising the Board to appoint Branch Auditors is also being submitted to the Shareholders for approval.

CORPORATE GOVERNANCE

Pursuant to Clause 49 of the Listing Agreement with Stock Exchanges, Reports on Management and Discussion Analysis and on Corporate Governance have been included elsewhere in this Report as separate sections.

The Company has in place a Whistle blower policy and it is affirmed that no personnel has been denied access to the audit committee. The Company has complied with all the mandatory requirements of Clause 49 of the Listing Agreement as revised and has also adopted certain non mandatory requirements of the clause like - Whistle blower and Remuneration Committee.

CODE OF CONDUCT

As required under the recently amended Clause 49 of the listing agreement with Stock Exchanges, the Company has in operation a Code of conduct laid down by the Board. All Board members and senior management personnel have affirmed compliance with code at the Board Meeting held today.

The declaration to this effect duly signed by the Managing Director is enclosed to the Annual Report.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION & FOREIGN EXCHANGE EARNINGS & OUTGO

Information required under Section 217(1) (e) of the Companies Act, 1956, read with Rule 2 of the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 relating to Conservation of energy, technology absorption and foreign exchange earnings & outgo - NIL

PARTICULARS OF EMPLOYEES

Information as per Section 217 (2A) of the Companies Act , 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended - NIL

BUSINESS OUTLOOK AND PROSPECTS

From its inception in the year 1986 until the year 2002, your Company was a prominent Commercial Vehicle financier. Since the year 2002, the product mix of your Company has been expanding. Your Company commenced financing the purchase of Consumer durables and later extended its product lines to include the financing of two wheelers. Currently, your Company extends the following services to its customers:

1. Finance against purchase of Consumer Durables
2. Finance against acquisition of Two wheelers and other vehicles
3. Personal Loans
4. Enterprise Finance to small time traders, manufacturers, service providers, etc.,

Your Company is geared to take full advantage of the emerging trends in consumer preference mainly with regard to quality products, including white goods backed by superior technology. Similarly the Two-wheeler segment is poised for spectacular growth in the years to come despite fuel prices. There is a discernible preference for Two Wheelers in semi urban & rural areas.

The scenario from that of selective consumption and seasonal spending has transformed into a “throughout the year” phenomenon. Your Company visualizes a commensurate growth rate of 30% in this twin segment.

In the Personal Loan and Enterprise Finance segments, your Company has an exclusive arrangement with associates in Shriram Companies with respect to access to their clients. This has accorded your Company access to almost 500 outlets across Southern and Western India from where to market its products and assist collections. In addition your Company's branches already in existence ensure a pan-India presence.

Recent surveys on consumer durable goods by Trade Bodies have revealed that the sector is poised for further growth because of the emerging opportunities in and strong fundamentals of the economy.

The surveys have highlighted some of the salient developments in the industry – the rate of growth in production has been more in terms of quantity or in volume growth rather than the growth in value terms for a number of products. This has happened because of constantly falling prices over the years due to competition among the major players, aggressive marketing strategies and declining import tariffs.

Quality products with superior technology and upgrading of technology have helped the industry achieve higher growth in terms of volume and also in higher realization in value terms.

The removal of licensing restrictions has encouraged capacity addition by both the domestic and multinational companies. Competitive strategies revolve around strong brand differentiation and prices. The share of unorganized segment has come down sharply to only 8% to 10% from the earlier 40% to 50% because of growth in production in the organized segment and domestic availability of branded products due to lowering of import duties and other liberal measures.

The price difference between branded and unbranded goods has narrowed considerably and with branded players providing good post-sales services and support, consumers prefer to buy branded products.

The Two-wheeler segment grew by over 17 percent in 2005-06 over the previous year. Backed by the Government's initiative on rural roads and better connectivity with major towns and cities, improved agricultural performance, upward trend of purchasing power in the hands of the rural populace, two wheeler sales crossed the seventy lacs mark for the first time during FY 2005-06. In anticipation of good market growth, automobile companies across the board have introduced a variety of new models. This trend is expected to continue through 2006-07. At the same time, aggressive pricing across segments can also be expected.

Your Company has been able to capitalize on the huge potential in demand for Consumer Durables in non-metro, semi-urban and rural areas in Southern and Western India. A change in buying behavior in these areas as indeed in the rest of the country has resulted in year-round purchases, these no longer being restricted to the harvest, festive and wedding seasons.

SUBSIDIARY

Consequent to the transfer of 1,44,21,462 Equity Shares aggregating 53.22% of the paid up capital of the Company from Shriram Financial Services Holdings Private Limited to Shriram Enterprise Holdings Private Limited, your Company ceases to be a subsidiary of Shriram Financial Services Holdings Private Limited with effect from 31st March 2006. On and from the said date, consequent to the transfer referred to above, your Company has become the subsidiary of Shriram Enterprise Holdings Private Limited.

APPRECIATION

Your Company has been able to operate efficiently because of the culture of professionalism, creativity, integrity and continuous improvement in all functions and areas to ensure efficient utilisation of the Company's resources for sustainable and profitable growth.

Your Directors wish to thank each and every employee for their contribution to the good performance of the Company.

Your Directors wish to extend their thanks to the Depositholders, Debentureholders, Debtholders and Shareholders and look forward to the future with confidence..

For and on behalf of the Board

Place : Chennai
Date : 29th June 2006

R Kannan
Managing Director

S Venkatakrishnan
Director

The Company is controlled by Shriram Group which is a group coming within the definition of "Group" as defined in the Monopolies and Restrictive Trade Practices Act, 1969 and includes the following:

Sri R Thyagarajan & family ; Sri T Jayaraman & family ; Sri A V S Raja & family ; Shriram Transport Finance Company Limited ; Shriram Overseas Finance Limited ; Shriram Financial Services Holdings Private Limited and its subsidiaries namely, Shriram Enterprise Holdings Private Limited, Shriram Credit Company Limited, Shriram Chits (Karnataka) Private Limited, Shriram Chits Private Limited, Shriram Chits Tamilnadu Private Limited, Shriram Insurance Holdings Private Limited, Shriram Life Insurance Company Limited, Shriram Holdings (Madras) Private Limited ; Shriram Motor Finance ; S R Real Estate Finance; Any other Company, firm or trust promoted or controlled by the above.

Family for the above purpose includes the spouse, dependent children and parents.

Report on Corporate Governance

for the year ended 31.3.2006

BRIEF STATEMENT ON COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE:

Your Company's policy on Corporate governance encompasses the following

Achievement of transparency and accountability in all areas of operations and in activities connected with shareholders, employees, investors, banks and institutions and statutory authorities

Attainment of Shareholders' satisfaction

Improving the performance through periodical review of management systems

BOARD OF DIRECTORS:

As on 31st March 2006, the Board comprised of four Directors including the Managing Director. The Managing Director manages the Company's business in consultation with the Board of Directors. The Board functions by itself and through Committees. The Board and Committees meet at regular intervals. Policy formulation, setting up of objectives and performance evaluation and control over functions vest with the Board while the Committees oversee day to day operational matters. This structure has enhanced Board's role in guiding the Company and contributed to its objective of attaining shareholders' satisfaction

The Board has constituted Business Development Committee, Audit Committee, Remuneration Committee and Shareholders'/ Investors' Grievance Committee.

Six meetings of the Board of Directors were held during the year ending 31st March 2006 – on 28th April 05, 29th June 05, 28th July 05, 8th September 05, 29th November 05, and 31st January 06.

The names of members of Board of Directors, their attendance and number of their other directorship are given below:

Name of the Director	No. of Board Meetings attended	Whether attended the last AGM held on 8 th September 2005	Membership / Chairmanship As on 31.03.2006 in	
			Other Boards (excluding this Company)	Other Board Committees (excluding this Company)
Sri A K Singh (E) * Managing Director	4	Yes	NA	NA
Sri R Kannan (E) ** Managing Director	2	NA	6	-
Sri S M Bafna (N I) ***	2	Yes	NA	NA
Sri S Venkatakrisnan (N I)	6	Yes	13	4
Dr T S Sethuratnam (N D)	3	Yes	5	4
Sri E V Balasubramanian (N I) ****	1	NA	NA	NA
Sri S Krishnamurthy (N I) *****	6	Yes	-	-

N I Non Executive, Independent Director; N D Nominee Director IREDA as lender; E – Executive

NA – Not Applicable

AGM Annual General Meeting

* Resigned with effect from 15.9.05

** Inducted as additional director with effect from 8.9.05 and appointed as Managing Director with effect from 15.9.05

*** Resigned with effect from 9.9.05

**** Resigned with effect from 30.4.05

***** Inducted as additional Director with effect from 28.4.05 and appointed as Director at the Annual General Meeting held on 8.9.05

BUSINESS DEVELOPMENT COMMITTEE OF DIRECTORS:

Terms of Reference:

The Committee is formed to achieve efficient performance, quicker decision on matters relating to general business of the Company. It appraises the Board of its decisions at subsequent meetings.

Composition :

The Committee met 29 times during the year

Names of Directors

Sri S Venkatakrisnan

Sri E V Balasubramanian *

Sri S Krishnamurthy **

* Resigned with effect from 30.4.05

** Appointed as a member of the Committee with effect from 1.5.05

AUDIT COMMITTEE :

Terms of Reference:

The authority of the Committee shall include the following:

To have full access to information contained in the records of the Company and external professional advice if necessary.

To conduct discussions with the auditors periodically about internal control systems, the scope of audit including the observations of the auditors for follow-up and adequacy of internal audit function.

To oversee the Company's financial reporting process and disclosure of its financial information, major accounting policies and practices, compliance with accounting standards and with Stock Exchange and legal requirements concerning financial statements.

To review Company's fiscal and risk management policies.

To review quarterly, half-yearly and annual financial statements before submission to Board of Directors.

To advise and guide operating management on specific issues/transactions in co-ordination with Statutory Auditors.

Composition :

The Committee met 4 times during the period under consideration on 29.6.05, 8.9.05, 29.11.05 and 31.1.06

Names of Directors	No. of Meetings Attended
Sri S Venkatakrisnan – Chairman	4
Sri S M Bafna **	2
Sri E V Balasubramanian *	NA
Sri S Krishnamurthy ***	4
Sri R Kannan****	2

* Resigned with effect from 30.4.05

** Resigned with effect from 9.9.05

*** Appointed as a member with effect from 1.5.05

**** Appointed as a member with effect from 8.9.05

NA – Not Applicable

REMUNERATION COMMITTEE :

The Company has constituted a remuneration committee

Terms of Reference:

The Remuneration Committee is mandated to determine the commission payable to the Managing Director, as and when applicable. The recommendations are based on overall performance and financial results of the Company during the relevant financial year.

Composition :

Names of Directors
Sri S Venkatakrisnan – Chairman
Sri S M Bafna **
Sri E V Balasubramanian*
Sri S Krishnamurthy***

* Resigned with effect from 30.4.05

** Resigned with effect from 9.9.05

*** Appointed as a member with effect from 1.5.05

Remuneration policy of the Company is:

Managing Director :

The total remuneration consists of :

a fixed component consisting of salary, allowances and perquisites

a variable component linked to performance of Company consisting of Commission as may be determined by the Remuneration Committee

Within the overall limits specified under the Companies Act and as approved by the Shareholders.

Non executive Independent Directors

Sitting fees as permitted under the Companies Act, 1956 (Rs. 2500/- per meeting of the Board/ any Committee / General meeting) and / or re-imburement of actual travel and out of pocket expenses incurred, wherever applicable, for attending such meetings.

The details of sitting fees/ remuneration paid to the Directors / Managing Director are disclosed in Schedule O and Schedule Q(B) in the notes on accounts forming part of the annual accounts vide note No. 12.

The details of sitting fees / remuneration paid to the Directors/ Managing Director during the year 2005–2006 are given below:

Sl.No	Name of the Director	Sitting Fees for attending Meetings (Rs.)	Salary, allowances & Perquisites (Rs.)	Total (Rs.)
1	Sri A K Singh* Managing Director	-	5,37,725.33	5,37,725.33
2	Sri R Kannan **** Managing Director	-	-	-
	Directors:	-		-
3	Sri S M Bafna **	10,000/-	-	10,000/-
4	Sri S Venkatakrishnan	-	-	-
5	Sri E V Balasubramanian ***	-	-	-
6	Dr T S Sethurathnam	10,000/-	-	10,000/-
7	Sri S Krishnamurthy ****	-	-	-

* upto 14.09.05

** upto 8.09.05

*** upto 30.04.05

**** from 28.4.05

***** from 8.9.05 as Director & Managing Director with effect from 15.09.05

The Committee met on 29.6.05 during the period under consideration.

Even though the present Managing Director has consented to act without drawing any remuneration, the Remuneration Committee which has already been constituted will remain in force to take care of future requirements as and when they arise

Shareholdings/ Warrant holdings of Non executive Directors

Name of the Non Executive Directors	Share / Warrant holdings
Sri S Venkatakrishnan	NIL
Sri S Krishnamurthy	NIL
Dr T S Sethurathnam	NIL

SHAREHOLDERS' / INVESTORS ' GRIEVANCE COMMITTEE :

Terms of Reference:

Initially, the Board reviewed the status of shareholder grievances. Later, the Investors' grievance Committee was constituted for the said purpose. The findings / recommendations of the Committee are reported to the Board periodically. The letters / complaints received from the shareholders / investors / Stock Exchanges / SEBI are reviewed by the Company and the Share Transfer Agents M/s Integrated Enterprises (India) Limited. These letters / complaints are replied immediately / redressed to the satisfaction of the complainant. The Committee reviews periodically, the action taken by the Company and the Share Transfer Agents in this regard. The pendency report if any, and the time taken to redress the complaints are also reviewed by the Committee.

Composition :

The Company has designated Sri J Radhakrishnan, Company Secretary as the Compliance Officer.

The Committee met 3 times during the year to review the Investors Grievances

Names of Directors
Sri S Venkatakrisnan - Chairman
Sri S M Bafna **
Sri E V Balasubramanian *
Sri S Krishnamurthy ***
Sri R Kannan****

- * Resigned with effect from 30.4.05
- ** Resigned with effect from 9.9.05
- *** Appointed as a member with effect from 1.5.05
- **** Appointed as a member with effect from 8.9.05

CODE OF CONDUCT FOR DIRECTORS AND SENIOR MANAGEMENT

The Board at its meeting held on 28.01.05 has adopted the Code of Conduct for Directors and Senior Management ("the Code"). The Code is a comprehensive Code applicable to all Directors, Executives as well as Non Executive as well as members of Senior Management. The Code while laying down, in detail, the standards of business conduct, ethics and governance, centres around the following theme.

The Company's Board of Directors and Senior Management are responsible for and are committed to setting the standards of conduct contained in this code and for updating these standards, as appropriate, to ensure their continuing relevance, effectiveness and responsiveness to the needs of investors and all other stakeholders as also to reflect corporate, legal and regulatory developments. This code should be adhered to in letter and in spirit.

The code has been circulated to all the members of the Board and Senior Management and the compliance of the same has been affirmed by them. A declaration signed by the Managing Director is given below.

I hereby confirm that:

The Company has obtained from all the members of the Board and Senior Management, affirmation that they have complied with the Code of conduct for Directors and senior Management in respect of the financial year 2005-06.

Sd./-
R Kannan
Managing Director

Whistle Blower Mechanism

The Company promotes ethical behaviour in all its business activities and has put in place mechanism of reporting illegal or unethical behaviour. Employees are free to report violations of laws, rules, regulations or unethical conduct to their immediate supervisor / notified person. The reports received from any employee will be reviewed by the audit committee. The Directors and senior Management are obligated to maintain confidentiality of such reportings and ensure that the whistle blowers are not subjected to any discriminatory practices.

Adoption of Non Mandatory Requirements of Clause 49.

The Company complies with the following Non mandatory requirements stipulated under clause 49.

- a) Remuneration Committee
- b) Whistle Blower Policy

**SUMMARY OF TRANSFERS / TRANSMISSIONS etc.,
INVESTOR GRIEVANCE – RECEIVED & REDRESSED FOR THE YEAR ENDED 31.3.2006**

SL No.	Nature of references/ complaints received	No of references / complaints received	Status
1	Non receipt of certificates	13	Redressed
2	Non receipt of Annual Reports	3	Redressed
3	Non Receipt of Dividend Warrants/Cheques/Demand Drafts	55	Redressed
4	Issue of Duplicate Share Certificates	10	Redressed
5	Issue of Duplicate Dividend Warrants	15	Redressed
6	Correction in certificates	12	Redressed
7	Transfers, Transmissions, Split, etc.,	682	678Redressed #
8	Change of address	147	Redressed
9	Bank Mandates/ECS	30	Redressed

requests for transfers received on 28.3.06 and 31.3.06 were approved at the meeting held On 15.4.2006

GENERAL BODY MEETINGS:

Details of the location and time of holding the last three AGMs.

Year	Location	Date & Time
17TH AGM - 2003	Narada Gana Sabha (Mini Hall) No 314 (Old No 254) T T K Road, Alwarpet, Chennai - 600 018	4 th September 2003 at 2.30 P.M
18TH AGM - 2004	Narada Gana Sabha (Mini Hall) No 314 (Old No 254) T T K Road, Alwarpet, Chennai - 600 018	8 th September 2004 at 3.00 P.M
19TH AGM - 2005	Narada Gana Sabha (Mini Hall) No 314 (Old No 254) T T K Road, Alwarpet, Chennai - 600 018	8 th September 2005 at 3.00 P.M

Last year no special resolution was passed through Postal Ballot.

DISCLOSURES :

There are no materially significant related party transactions with the Company's promoters, Directors, management, subsidiaries or relatives which may have potential conflict with the interest of the Company at large.

Disclosures on transactions with related parties as required under Accounting Standard 18 have been incorporated in the Notes to the Accounts.

During the year ended 31st March 2004, Securities and Exchange Board of India (SEBI) appointed an Adjudicating Officer to enquire into the matter of delay in compliance under Regulation 7(3) and Regulation 8(3) of (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, of the Securities and Exchange Board of India. The said delay in respect of Regulation 7(3) was committed in 1999 and the Company has submitted to SEBI in writing to condone the delay.

The delay in respect of Regulation 8(3) was committed in 1997 which has been regularised by the Company under SEBI Regularisation Scheme in the year 2003 and accordingly the Company has written to SEBI.

The Company had also requested SEBI to grant a personal hearing for making its submissions.

The Company was allowed a personal hearing on 26.5.04 for making its submission. Subsequently SEBI vide letter No. SRO /ADJ/EIF/2002/1 / 3641 dated 30th June 2004 has passed an order levying a penalty of Rs. 25,000/- for violation of Regulation 7(3). The said sum was duly paid by the Company on 7th July 2004.

SEBI has vide letter dated 16/11/04 cited violation of regulation 8 (3) of SEBI (Substantial Acquisition of Shares & Takeovers) Regulations 1997 for record date for 2001 and sought for penalty of Rs. 25,000/-. The Company has replied vide its letter dated 16/12/2004 explaining its case.

Except the above there are no instances of non-compliance by the Company on any matters related to the capital markets, nor have any penalty / strictures been imposed on the Company by the Stock Exchanges or SEBI or any other statutory authority on any matter related to capital markets during the last three years.

MEANS OF COMMUNICATION :

The quarterly/ half yearly and annual results are published in Trinity Mirror (English version) and Makkal Kural (Tamil version).

To comply with the requirements of the SEBI and the Stock Exchange listing agreement , the requisite information, statement, from the quarter ended September 2003 are filed on Electronic Data Information Filing and Retrieval (EDIFAR) website maintained by National Informatics Centre (NIC) , on line.

A detailed Management Discussion and Analysis report is forming part of the Directors' Report.

GENERAL SHAREHOLDER INFORMATION :

Twentieth Annual General Meeting	
Date and Time	28.09.2006 3.00 P.M
Venue	Narada Gana Sabha (Mini Hall) No.314 (Old No.254) T T K Road, Alwarpet, Chennai 600018
Book Closure	26.09.2006 to 28.09.2006
Final Dividend payment date, subject to approval of shareholders at the ensuing Annual General Meeting	By the Third week of October 2006
Financial Calendar	2006-2007
Annual General Meeting	Sep 2007
Unaudited results for the quarter ending June 30 , 2006	4 th Week of July 2006
Unaudited results for the quarter/ half - year ending September 30, 2006	4 th Week of October 2006
Unaudited results for the quarter ending December 31, 2006	4 th Week of January 2007
Audited results for the year ending 31 st March 2007	June 2007
Listing of Equity Shares	Madras Stock Exchange Ltd Bombay Stock Exchange Ltd National Stock Exchange of India Ltd
Stock Code	
Trading Symbol at :	
Madras Stock Exchange Limited	SRIRACITUN
Bombay Stock Exchange Limited	532498
National Stock Exchange of India Limited	SHRIRAMCIT
Demat ISIN Number in NSDL & CDSL	INE722A01011

Your Company's shares have been Listed on National Stock Exchange of India Limited with effect from 4.4.05

Registrar and Share Transfer Agent:

All Share Transfer work is done at Integrated Enterprises (India) Limited having its office at

II Floor, Kences Towers, No 1, Ramakrishna Street
North Usman Road, T Nagar , Chennai – 600 017
Ph : 2814 0801– 03.

Share Transfer System

The power to approve transfer of shares is delegated by the Board to the Share Transfer Committee. The Committee meets once in every fortnight to approve the transfers.

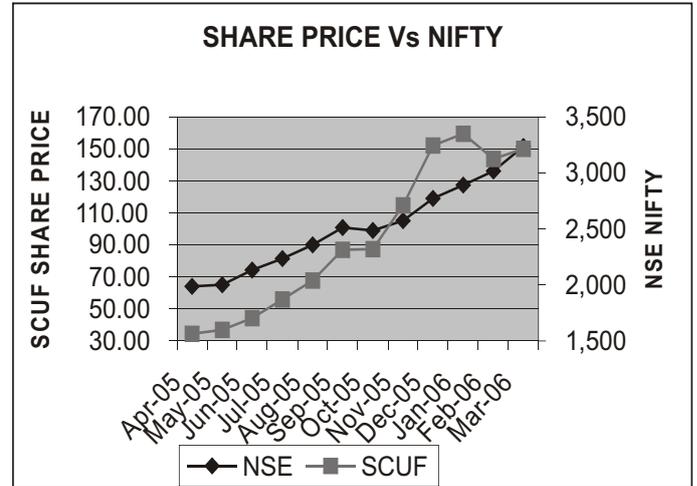
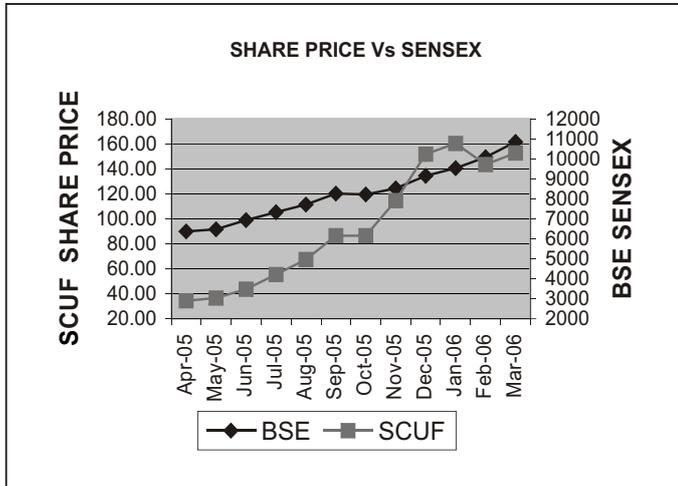
Stock Market Data

Monthly high and low quotations as well as volume of shares traded at BSE and NSE during 2005–2006 are given in the table below:

Months	Bombay Stock Exchange Limited			National Stock Exchange of India Limited #		
	Share Prices		Volume	Share prices		Volume
	High Rs	Low Rs		High Rs	Low Rs	
April 05	35.70	32.95	216909	36.00	33.15	180968
May 05	38.15	35.00	114789	38.70	35.25	94539
June 05	49.70	38.00	337305	50.15	38.30	496230
July 05	62.55	48.60	247811	64.20	47.65	429622
August 05	74.40	60.55	177112	74.40	61.15	269784
Sep 05	97.35	75.85	377035	98.30	75.80	652116
Oct 05	94.35	78.65	1631359	93.60	81.10	1086628
Nov 05	142.30	87.00	2246766	141.00	88.45	2518633
Dec 05	167.90	135.85	1270558	169.35	135.00	1177658
Jan 06	170.05	150.85	336471	170.00	149.15	223972
Feb 06	152.25	135.00	103439	152.50	135.00	108135
Mar 06	163.50	142.40	2670079	158.55	141.65	8409023

The Company's shares are listed in the National Stock Exchange of India Limited with effect from 4.4.05

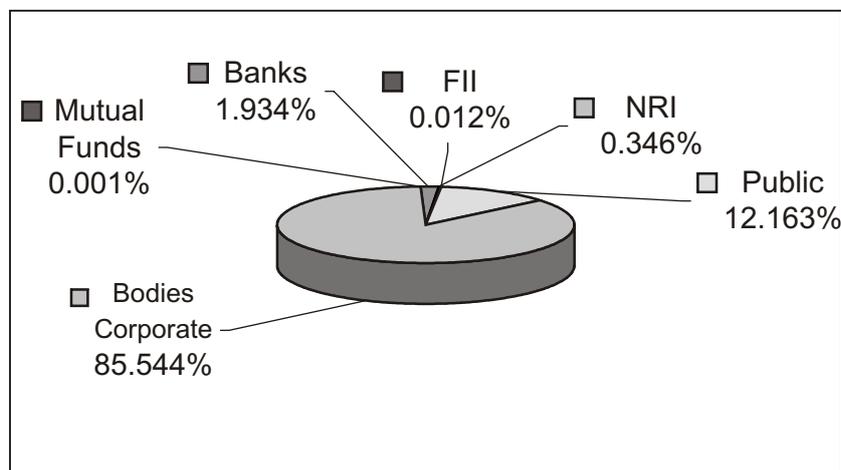
Share Price performance in comparison to broad based indices – BSE Sensex and NSE Nifty



Distribution of shareholding as on March 31, 2006 :

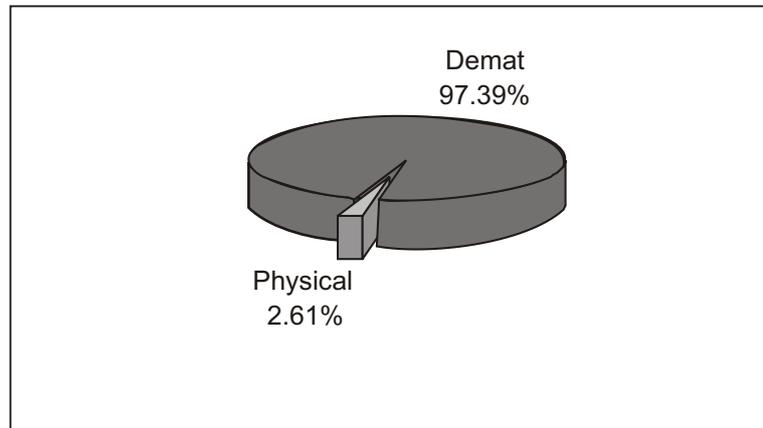
No. of equity shares held	Shareholders		Shares	
	Number	%	Number	%
Upto 500	6363	84.01	815529	3.03
501 – 1000	546	7.21	393450	1.45
1001 – 2000	314	4.15	453851	1.67
2001 – 3000	181	2.39	494314	1.82
3001 – 4000	29	0.38	101534	0.37
4001 – 5000	31	0.41	143051	0.53
5001 – 10000	68	0.90	461663	1.70
10001 and above	42	0.55	24236608	89.43
Total	7574	100.00	27100000	100.00

Shareholding Pattern as on 31st March 2006



Dematerialisation of Shares :

Shares of the Company can be held and traded in Electronic Form . SEBI has included the shares for compulsory delivery in dematerialisation form only, by all investors from 24.07.2000 . 97.39 % of the shares have been dematerialised, as of 31st March 2006.



The Company has not issued any GDRs / ADRs / Warrants or other instruments which are pending for conversion.

Liquidity :

Shares of the Company are listed in The Madras Stock Exchange Ltd, Bombay Stock Exchange Ltd and National Stock Exchange of India Ltd and hence have good liquidity.

Branches : Given elsewhere in the Annual Report

Address for correspondence & Registered Office :

Registered Office: 123, Angappa Naicken Street, Chennai 600 001
Phone : 25341431

Secretarial Office : 4th Floor, 'Mookambika Complex', No.4, Lady Desika Road,
Mylapore, Chennai 600 004
Phone : 24990356, 24990960

Auditors' Certificate

on Corporate Governance

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To
The Members of
Shriram City Union Finance Limited

We have examined the compliance of conditions of Corporate Governance by Shriram City Union Finance Limited, for the year ended on 31st March 2006, as stipulated in Clause 49 of the Listing Agreements of the said Company with the stock exchanges in India.

The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examinations was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance as stipulated in the said Clause. 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 Agreements.

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

For PIJUSH GUPTA & Co.,
Chartered Accountants

Place : Chennai
Date : 29th June, 2006

R. K. DOKENIYA
Partner
Membership No. 004880

FINANCIAL SECTOR

The financial sector is in a process of rapid transformation. Reforms are continuing as part of the overall structural reforms aimed at improving the productivity and efficiency of the economy. The role of an integrated financial infrastructure is to stimulate and sustain economic growth.

The US\$ 28 billion Indian financial sector has grown at around 15 per cent and has displayed stability for the last several years, even when other markets in the Asian region were facing a crisis. This stability was ensured through the resilience that has been built into the system over time. The financial sector has kept pace with the growing needs of corporate and other borrowers. Banks, capital market participants and insurers have developed a wide range of products and services to suit varied customer requirements. The Reserve Bank of India (RBI) has successfully introduced a regime where interest rates are more in line with market forces.

Financial institutions have combated the reduction in interest rates and pressure on their margins by constantly innovating and targeting attractive consumer segments. Banks and trade financiers have also played an important role in promoting foreign trade of the country.

CONSUMER FINANCING

Another area gaining importance in the industry is Consumer financing schemes. The consumer finance schemes have resulted in the rise in the demand in a big way. Many Low and Middle income families who couldn't afford superior quality products are now finding it easier to satisfy their aspiring needs.

Your Company's finance portfolio comprises of two-wheeler, car and consumer durables finance and Enterprise financing.

Very aggressive and innovative marketing techniques, have made your Company one of the top performers in the industry.

RISKS AND CONCERNS

Competition risk

The retail finance business is in a highly competitive arena. Players like banks and Financial Institutions that have access to cheaper resources and larger networks are vying for a higher share of business. Severe competition exists from private banks who have been adopting an aggressive strategy in retail financing.

Credit risk

The retail financing carries credit risk—the risk that the borrower will fail to pay the interest and/or principal on the due date(s).

Liquidity risk

This risk mainly arises due to the gap between the duration for which funds are borrowed and that are lent.

Interest rate risk

Companies in the field of finance are exposed to this risk when there is a variation between the interest rate on borrowings and those on lending to customers

MANAGEMENT OF RISKS

The competition risk is managed by your Company on account of its vast experience in the field of finance and its network of branches. The customer clientele built over these years and the cordial relationship maintained with them help your Company to a great extent in performing well despite heavy competition.

The magnitude and the manner in which the branches have built relationship with the clients for over years help your Company in minimising the credit risk greatly. Further, your Company carefully adopts the `Know your Customer` norms in identifying the credit worthiness and other details of the customers. This also helps your Company in minimising the credit risk and thus the collection performance of your Company is commendable.

Further, your Company has in place suitable mechanisms to effectively reduce risks. All applicable risks are periodically analysed and reviewed at various levels of management through an effective information system.

In addition to the above, your Company has in place the Asset Liability Management Committee set up in terms of the guidelines issued by the Reserve Bank of India. This Committee periodically reviews the Asset Liability mismatches. The Committee also ensures that such risks are minimised and controlled to the maximum possible extent.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

Internal control systems are implemented

- to safeguard the Company's assets from loss or damage
- to keep constant check on the cost structure
- to prevent revenue leakages
- to provide adequate financial and accounting controls and implement accounting standards

The system is improved and modified continuously to meet the changes in business conditions, statutory and accounting requirements.

The Audit Committee of the Board of Directors actively reviews the adequacy and effectiveness of internal control systems and suggests improvements for strengthening them. The Company has a strong management Information system which is an integral part of the control mechanism.

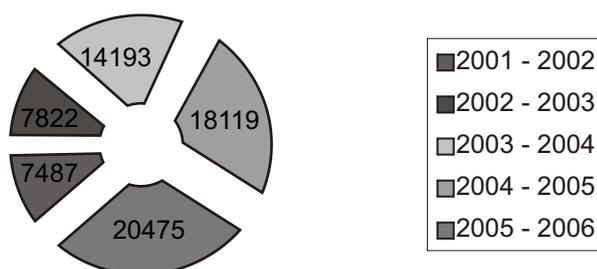
FINANCIAL PERFORMANCE AND RESULTS OF OPERATIONS

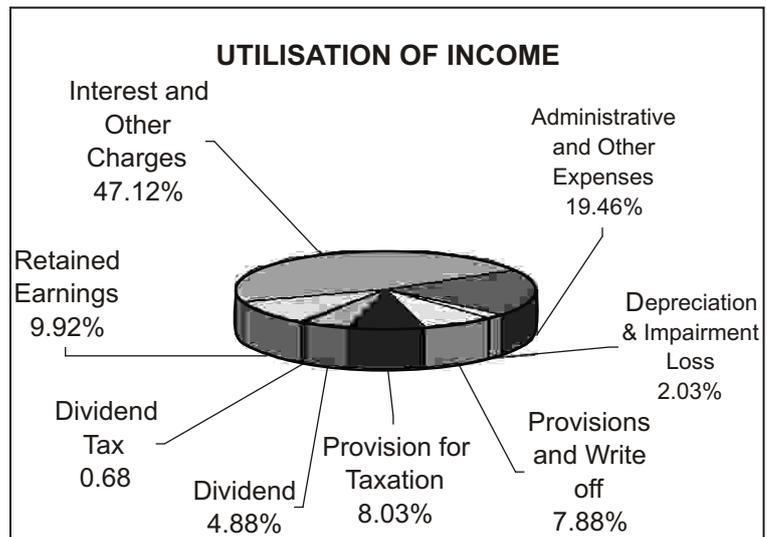
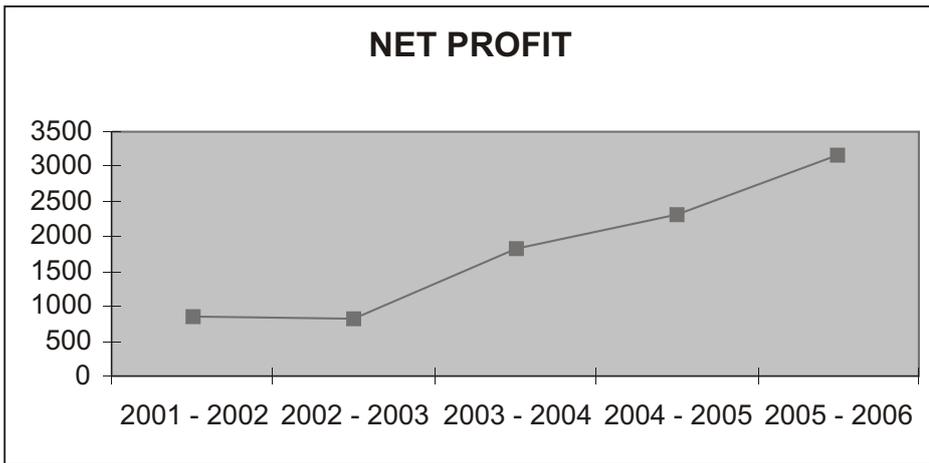
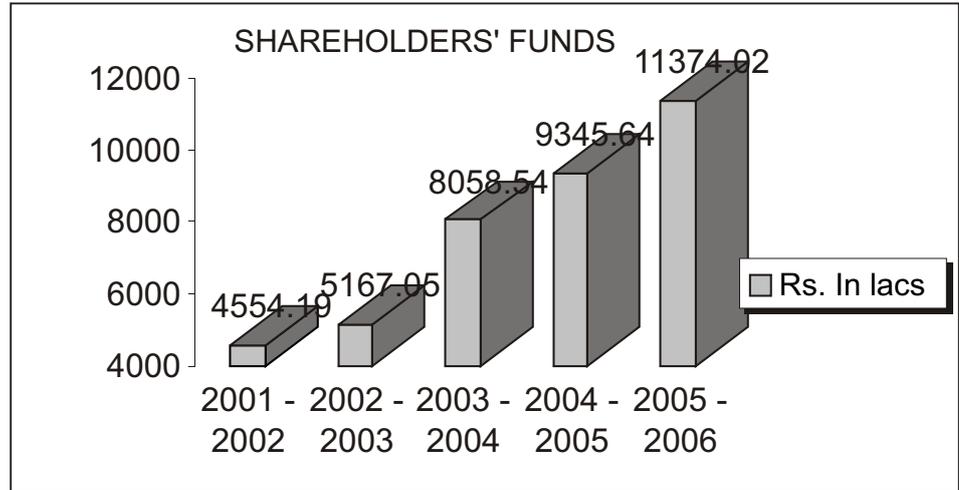
FINANCIAL REVIEW :

Rs. in Lacs

Particulars	31.03.2006	31.03.2005	% Inc/ (dec)
Income			
Income from Operations	19609.05	17288.32	13.42%
Other Income	866.31	830.74	4.28%
Total	20475.36	18119.06	
Expenditure			
Interest & other charges	9648.25	9412.97	2.5%
Administrative & other expenses	3984.41	3595.06	10.83%
Depreciation & Impairment loss	415.38	495.13	(16.10)%
Share Issue expenses written off	1.69	1.69	-
Provisions and Write off	1613.19	970.42	66.24%
Total	15662.92	14475.27	
Profit Before Tax	4812.44	3643.79	32.07%
Tax Provisions	1645.15	1333.35	23.38%
Profit After Tax	3167.29	2310.44	37.09%
Earnings per share (in Rs.)	10.91	7.58	43.93%

GROSS INCOME (Rs. in lacs)





PERFORMANCE INDICATORS

	2005-2006	2004-2005
Operating Profit as a % of Total Funds Employed	6.06%	5.78%
Administrative expenses as a % of Total cost	15.78%	15.08%
Book value per Share (Rs.)	33.36	25.87

HUMAN RESOURCES

The total number of employees on the rolls of your Company as on 31st March 2006 was 320. Harmonious relations continued to prevail at the Head office and all the branches throughout the Company. Your Company continues its focus on training and developing people through development programmes. The training focusses on delivering distinctive people with organisational capabilities, embedding a culture of seamless team working and enhancing the profitability of the organisation on the whole.

OUTLOOK

GENERAL ECONOMY

India's real GDP grew better than anticipated at 8.1 percent in 2005-06. Despite the severe impact of global oil uncertainties, a judicious combination of monetary and fiscal measures has helped in anchoring inflation expectations and containing inflation at 4 percent. The current account deficit widened in line with the growth in investment demand in the economy and was comfortably financed as capital flows continued to remain buoyant. Financial markets were generally stable. The Indian Rupee continues to demonstrate adequate flexibility in response to global currency market developments. Despite large allocation to the social sector, the fiscal situation turned out better than expected. The outlook for 2006-07 continues to remain positive and the policy endeavour would be to maintain growth momentum consistent with price stability while being in readiness to act in a timely and prompt manner to evolving circumstances.

RETAIL FINANCE INDUSTRY

Net Interest Income (NII) for the sector is expected to post good performance on the back of strong credit growth. Stable yields and funding cost should see NII post a growth of above 15%.

With virtually all the business lines of retail finance Companies coming under great competitive pressure, strong organisation skills have become imperative for survival. In this regard, a Company's distribution network, in terms of a branch or direct sales/ marketing agent network, is critical. The other essential aspects are service standards, track record, customer relationship. These factors have a strong impact on the business growth and profitability of retail finance Companies.

In the retail financing segment, relationship with dealers is also a key determinant of organisation capabilities. Relationship with dealers give financiers access to customers at the dealer's locations.

With a large network of branches, cordial relationship with the Clients, Dealers, Banks and Financial Institutions, your Company is expected to post better results in the years to come too.

Auditors' Report

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To the shareholders of SHRIRAM CITY UNION FINANCE LIMITED

We have audited the attached Balance Sheet of Shriram City Union Finance Limited as at 31st March, 2006 and the related Profit and Loss Account and Cash Flow Statement for the year ended on that date annexed thereto which we have signed under reference to this report. The financial statements relating to the Eastern Region of the Company has been audited by us and Other Regions and Sub-Regions audited by Branch Auditors whose reports were forwarded to and considered by us. 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.

We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

1. As required by the Companies (Auditor's Report) Order, 2003 issued by the Government Of India in terms of section 227(4A) of the Companies Act, 1956 and on the basis of such checks as we considered appropriate and according to the information and explanations given to us during the course of audit, a statement on matters specified in the said order has been given in the Annexure hereof.
2. Further to our comments in the annexure referred to in paragraph 1 above, we report that :
 - (a) 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.
 - (b) 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.
 - (c) The Balance Sheet , Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account.
 - (d) In our opinion and according to the information and explanations given to us, the Balance Sheet, Profit and Loss Account and the Cash flow Statement dealt with by this report comply with the Accounting Standards referred to in Sub -Section (3c) of Section 211, of the Companies Act, 1956.
 - (e) On the basis of the written representations received from the directors, and taken on record by the company, none of the directors is disqualified as on 31st March, 2006 from being appointed as a director in terms of clause (g) of subsection (1) of section 274 of the Companies Act, 1956.
 - (f) 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
 - (i) in case of the balance sheet, of the state of affairs of the company as at 31st March, 2006;
 - (ii) in case of the profit and loss account, of the profit for the year ended on that date ; and
 - (iii) in case of the cash flow statement, of the cash flows for the year ended on that date ;

For PIJUSH GUPTA & CO.
Chartered Accountants

Chennai
29th June, 2006

R. K. DOKENIYA
Partner
Membership No. 004880

Annexure to Auditors' Report

(Referred to in paragraph 1 of our report of even date)

- i) The Company has maintained proper records showing full particulars including quantitative details and situation of its fixed assets. These fixed assets have been physically verified by the Management at reasonable intervals. We have been informed that no material discrepancies were noticed on such verification. Substantial part of fixed asset have not been disposed off during the year, which will affect its status as a going concern;
- ii) The company is principally engaged in Hire Purchase, Leasing and Financing activities which does not involve maintenance of any inventory. As regards Company's business of generation of power by windmills there are no stocks of maintenance stores and spare parts as the entire work of maintenance has been outsourced. Therefore the provisions of clause 4(ii) of the Companies (Auditor's Report) Order, 2003 are not applicable;
- iii) According to information and explanation given to us, loans have not been granted or taken to/from the companies, firms and other parties listed in the register maintained under Section 301 of the Companies Act, 1956;
- iv) In our opinion there is an adequate internal control procedure commensurate with the size of the company and the nature of its business for purchase of fixed assets and sale of goods. Nature of company's business does not require purchase of inventory. No major weaknesses in internal control have been reported;
- v) According to the information and explanation given to us, it appears that there are no transactions that need to be entered into a register maintained in pursuance of section 301 of the Act;
- vi) The Company has complied with the directives issued by the Reserve Bank Of India and the provisions of the Section 58A and 58AA of the Companies Act 1956, and the rules framed thereunder wherever applicable with regard to deposits accepted from public. According to the information and explanation given to us the company has not received any order from the Company Law Board during the year;
- vii) On the basis of information and explanations given to us and on the basis of our review of the working of the company's own Internal Audit Department, it appears that there is an adequate internal audit system commensurate with the size and nature of the company's business;
- viii) As per information and explanations given to us, the Central Government has not prescribed maintenance of cost records under section 209(1)(d) of the Companies Act, 1956;
- ix) (a) On the basis of our examination of the company's books and records and on the basis of information and explanation given to us, it appears that the company is generally regular in depositing undisputed statutory dues including Provident Fund, Investor Education and protection fund, Employee's State Insurance, Income tax, Wealth tax, Sales tax, Customs duty, Excise duty, Cess and any other statutory dues with appropriate authorities.

(b) On the basis of information and explanations given to us and on the basis of relevant documents produced before us, the disputed statutory dues on account of Income Tax under Income Tax Act 1961 not deposited with appropriate authority are Rs. 54.71 lac for the assessment year 2002-2003 and Rs.105.92 lac for the assessment year 2003-2004 with appeal proceedings lying before Income Tax Tribunal and Commissioner of Income Tax (Appeals), Madras respectively;

- x) The Company has neither accumulated losses at the end of the financial year nor has it incurred cash losses, in the financial year or in the immediately preceding financial year;
- xi) According to the books and records of the company it has not defaulted in repayment of dues to any financial institution, bank or debenture holders;
- xii) The company has granted loans and advances on the basis of security by pledge of debentures and adequate documents and records have been maintained in this regard;
- xiii) In our opinion, the company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore the provisions of clause (xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
- xiv) In our opinion, the company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 are not applicable to the company.
- xv) The company has given guarantees for loans taken by others from Banks / Financial Institutions the terms and conditions whereof are not prejudicial to the interest of the company;
- xvi) In our opinion and on the basis of information and explanation given to us, it appears that the term loans have been applied for the purpose for which the loans were obtained;
- xvii) According to the information & explanations given to us it appears that the funds raised on short-term basis have not been used for long-term investment and vice versa;
- xviii) The company has not made any Preferential Issue to parties listed in the register maintained under Section 301 of the companies Act, 1956, during the year;
- xix) According to the information and explanation given to us the Company has created security for the debentures issued;
- xx) The company has not raised any money by public issue during the year ;
- xxi) According to the information and explanations given to us and to the best of our knowledge and belief no fraud on or by the company has been noticed or reported by the company during the year;

For PIJUSH GUPTA & Co.,
Chartered Accountants

R. K. DOKENIYA
Partner
Membership No. 004880

Place : Chennai
Date : 29th June, 2006

Financial Sections

Balance Sheet as at 31st March, 2006

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	Schedule	(Rs.in Lacs)	
		As at 31-03-06	As at 31-03-05
I SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital	A	5038.98	5038.98
Reserves and Surplus	B	<u>6335.04</u>	<u>4306.66</u>
		11374.02	9345.64
Loan Funds			
Secured Loans	C	77208.52	58939.44
Unsecured Loans	D	<u>9601.46</u>	<u>6203.33</u>
		86809.98	65142.77
Deferred Tax Liability (Net)		3165.02	2774.48
TOTAL		<u><u>101349.02</u></u>	<u><u>77262.89</u></u>
II APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	E	7111.30	7478.04
Depreciation and Impairment loss		<u>1533.31</u>	<u>1429.22</u>
Net Block		5577.99	6048.82
Investments	F	664.03	164.03
Current Assets, Loans & Advances			
Current Assets	G	108861.11	80483.27
Loans & Advances	H	<u>11120.21</u>	<u>5760.97</u>
		<u>119981.32</u>	<u>86244.24</u>
Less : Current Liabilities & Provisions			
Current Liabilities	I	19932.28	11962.04
Provisions	J	<u>4945.85</u>	<u>3237.66</u>
		<u>24878.13</u>	<u>15199.70</u>
Net Current Assets		95103.19	71044.54
Miscellaneous Expenditure (to the extent not written off or adjusted)	K	3.81	5.50
TOTAL		<u><u>101349.02</u></u>	<u><u>77262.89</u></u>
Notes on Accounts	Q		

As per our Report of even date

For PIJUSH GUPTA & CO.,
Chartered Accountants

For SHRIRAM CITY UNION FINANCE LIMITED

R. K. DOKENIYA
Partner
Membership No : 004880

R. KANNAN
Managing Director

S. VENKATAKRISHNAN
Director

J.RADHAKRISHNAN
Company Secretary

Chennai
29th June, 2006

Profit and Loss Account for the year ended 31st March, 2006



	Schedule	(Rs.in Lacs)	
		For the year ended 31-03-06	For the year ended 31-03-05
INCOME			
Income from operations	L	19609.05	17288.32
Other Income	M	866.31	830.74
TOTAL		<u>20475.36</u>	<u>18119.06</u>
EXPENDITURE			
Interest and Other Charges	N	9648.25	9412.97
Administrative and Other Expenses	O	3984.41	3595.06
Depreciation & Impairment Loss		415.38	495.13
Share Issue expenses written off		1.69	1.69
Provisions and write off	P	1613.19	970.42
TOTAL		<u>15662.92</u>	<u>14475.27</u>
Profit before Tax		4812.44	3643.79
Less : Provision for Taxation			
- Current		1229.25	986.99
- Deferred		390.54	346.36
- Fringe Benefit Tax		25.36	-
		<u>1645.15</u>	<u>1333.35</u>
Profit after Tax		<u>3167.29</u>	<u>2310.44</u>
Add : Balance in Profit & Loss A/c brought forward from last year		1186.16	592.98
Amount available for Appropriation		<u>4353.45</u>	<u>2903.42</u>
Appropriations :			
Statutory Reserve		633.46	462.79
General Reserve		316.73	231.13
Dividend on			
- Cumulative Redeemable Preference Shares		184.65	227.56
- Equity Shares - Interim		271.00	271.00
- Equity Shares - Final (Proposed)		542.00	406.50
- Cumulative Redeemable Preference Shares (Proposed)		1.17	-
Tax on Dividend (including Surcharge & Education Cess)		140.09	118.28
Balance carried to Balance Sheet		2264.35	1186.16
Total		<u>4353.45</u>	<u>2903.42</u>
Earnings Per Share (Basic / Diluted)		10.91	7.58
Nominal Value of shares		10.00	10.00
No. of Shares (in lacs) used in computing EPS		271.00	271.00
(see note No.16 in Schedule 'Q')			
Notes on Accounts	Q		

As per our Report of even date

For **PIJUSH GUPTA & CO.,**
Chartered Accountants

For **SHRIRAM CITY UNION FINANCE LIMITED**

R. K. DOKENIYA
Partner
Membership No : 004880

R. KANNAN
Managing Director

S. VENKATAKRISHNAN
Director

J.RADHAKRISHNAN
Company Secretary

Chennai
29th June, 2006

Schedules to the Balance Sheet

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		(Rs.in Lacs)			
		As at 31-03-06	As at 31-03-05		
SCHEDULE "A"					
SHARE CAPITAL					
Authorised					
4,50,00,000 Equity Shares of Rs.10/- each		4500.00	4500.00		
40,00,000 Cumulative Redeemable Preference shares of Rs.100/- each with redemption period of five years carrying dividends to be decided by the Board		4000.00	4000.00		
TOTAL		<u>8500.00</u>	<u>8500.00</u>		
Issued, Subscribed and Paid up					
2,71,00,000 (Previous year 2,71,00,000) Equity Shares of Rs.10/- each (15,00,000 Equity shares of Rs.10/- each issued by capitalising Securities Premium Account)		2710.00	2710.00		
Privately placed Cumulative Redeemable Preference Shares of Rs.100/- each (Redeemable on the expiry of five years from the date of allotment or anytime earlier at the sole discretion of Board of Directors)					
Number of shares	Previous Year	Rate	Earliest Date of Redemption as per terms of allotment		
176170	253000	5.00%	02.04.2006	176.17	253.00
1343230	259880	6.00%	02.04.2006	1343.23	253.71
277730	312930	8.00%	02.04.2006	277.73	314.03
302350	683870	9.00%	22.10.2006	302.35	683.87
21050	30400	10.00%	27.04.2006	21.05	30.40
3850	5000	12.00%	28.01.2007	3.85	5.00
200000	200000	13.50%	27.11.2007	200.00	200.00
2750	580450	14.00%	06.04.2006	2.75	580.45
1850	3450	15.00%	06.04.2006	<u>1.85</u>	<u>8.52</u>
TOTAL				<u>2328.98</u>	<u>5038.98</u>
				<u>5038.98</u>	<u>5038.98</u>

	(Rs.in Lacs)	
	As at 31-03-06	As at 31-03-05
SCHEDULE "B"		
RESERVES AND SURPLUS		
A. Securities Premium Account As per last Balance Sheet	1098.60	1098.60
B. Investment Allowance Reserve As per last Balance Sheet	7.90	7.90
C. Debenture Redemption Reserve As per last Balance Sheet	25.00	25.00
D. Statutory Reserve As per last Balance Sheet	1493.00	1030.21
Add : Transfer from Profit and Loss Account	<u>633.46</u>	<u>462.79</u>
	2126.46	1493.00
E. General Reserve as per last Balance Sheet	496.00	264.87
Add.: Transfer from Profit and Loss Account	<u>316.73</u>	<u>231.13</u>
	812.73	496.00
F. Surplus as per Profit and Loss Account carried to Balance Sheet	2264.35	1186.16
TOTAL	<u><u>6335.04</u></u>	<u><u>4306.66</u></u>

SCHEDULE "C"
SECURED LOANS

[Particulars of Securities as per Note (B) 1 in Schedule 'Q']

A) Redeemable Non - Convertible Debentures	60810.99	55614.05
B) Term Loans		
From Banks	12547.92	1468.15
From Others	<u>509.00</u>	<u>557.00</u>
	13056.92	2025.15
C) Cash Credit from Banks	3060.97	1051.84
D) Interest Accrued & Due	279.64	248.40
TOTAL	<u><u>77208.52</u></u>	<u><u>58939.44</u></u>

SCHEDULE "D"
UNSECURED LOANS

A) Fixed Deposits	396.00	624.67
B) Inter Corporate Deposits	247.50	247.50
C) Subordinated Debts	8951.01	5319.85
D) Interest Accrued & Due	6.95	11.31
TOTAL	<u><u>9601.46</u></u>	<u><u>6203.33</u></u>

Schedules to the Balance Sheet

SCHEDULE "E" FIXED ASSETS

DESCRIPTION OF ASSETS	GROSS BLOCK				DEPRECIATION				NET BLOCK			
	As at 31.03.05	Additions	Sales/ Adj- ustment	As at 31-03-06	As at 31.03.05	For the year	With drawn	Up to 31-03-06	Lease Adjustment	Impairment Loss	As at 31-03-06	As at 31-03-05
OWN ASSETS												
LAND	77.95	57.91	0.00	135.86	0.00	0.00	0.00	0.00	0.00		135.86	77.95
BUILDINGS	12.94	0.00	0.00	12.94	1.11	0.21	0.00	1.32			11.62	11.83
PLANT AND MACHINERY	6630.66	47.10	484.70	6193.06	735.95	374.44	258.57	851.82		67.84	5273.40	5826.87
FURNITURE AND FIXTURES	163.61	39.41	0.00	203.02	44.82	11.20	0.00	56.02			147.00	118.79
VEHICLES	8.72	5.77	0.00	14.49	3.40	0.98	0.00	4.38			10.11	5.32
TOTAL I	6893.88	150.19	484.70	6559.37	785.28	386.83	258.57	913.54	0.00	67.84	5577.99	6040.76
LEASED ASSETS												
PLANT AND MACHINERY	0.19	0.00	0.00	0.19	0.17	0.02	0.00	0.19			0.00	0.02
VEHICLES	583.97	0.00	32.23	551.74	543.92	28.53	32.21	540.24	11.50		0.00	8.04
TOTAL II	584.16	0.00	32.23	551.93	544.09	28.55	32.21	540.43	11.50	0.00	0.00	8.06
GRAND TOTAL	7478.04	150.19	516.93	7111.30	1329.37	415.38	290.78	1453.97	11.50	67.84	5577.99	6048.82
PREVIOUS YEAR	5507.69	2505.86	535.51	7478.04	1429.89	427.29	527.81	1329.37	32.01	67.84	6048.82	3955.79

SCHEDULE "F"
INVESTMENTS - LONG TERM (AT COST)

(Rs.in Lacs)

	No.of Shares	As at 31-03-06	As at 31-03-05
A SHARES :			
UNQUOTED			
Shriram Life Insurance Company Limited	5000000	500.00	
B GOVERNMENT SECURITIES :			
QUOTED :			
13.05% Government of India Loan, 2007 (Face Value - Rs. 55.70 Lacs)		59.50	59.50
12.25% Government of India Loan, 2008 (Face Value - Rs. 3.00 Lacs)		3.08	3.08
6.13% Government of India Loan, 2028 (Face Value - Rs. 100.00 Lacs)		101.45	101.45
		<u>164.03</u>	<u>164.03</u>
Total		<u><u>664.03</u></u>	<u><u>164.03</u></u>
Aggregate value of Quoted Investments for which quotation is available			
Cost		164.03	164.03
Market Value		145.23	155.04

Schedules to the Balance Sheet

	(Rs.in Lacs)		
	As at 31-03-06		As at 31-03-05
SCHEDULE "G"			
CURRENT ASSETS			
1. Receivables :			
i) Under Hire Purchase Agreements	9309.93	16621.79	
ii) Repossessed vehicles	7.69	4.84	
iii) Under Hypothecation Loan Agreements	70558.73	45509.46	
iv) Under Financial Lease Agreements	<u>5412.59</u>	<u>8725.89</u>	70861.98
2. Sundry Debtors (Unsecured -Considered good)			
Debts outstanding for a period exceeding six months	50.78	7.51	
Other Debts	<u>66.77</u>	<u>128.40</u>	135.91
3. Cash and Bank Balances			
i) Cash & Stamps on Hand	633.62	510.86	
ii) Remittances in Transit	580.71	431.56	
iii) Balances with Scheduled Banks in :			
Fixed Deposit Accounts *	13040.91	1405.69	
Current Accounts	<u>9032.79</u>	<u>7099.93</u>	9448.04
4. Other Current Assets			
Interest/other additional charges accrued on Deposits, Debts, Loans & Advances	166.59		37.34
TOTAL CURRENT ASSETS	<u>108861.11</u>		<u>80483.27</u>
 SCHEDULE "H"			
LOANS & ADVANCES			
Unsecured (Unless otherwise stated, considered good)			
a) Loans			
Secured	27.25	22.90	
Others	271.23	0.00	
b) Advances recoverable in cash or in kind or for value to be received	4523.41	1520.01	
c) Advance for Hire Purchase / Leased Assets	1129.16	815.74	
d) Advance for Own Assets	1432.74	1111.44	
e) Advance income tax and tax deducted at source	3628.98	2172.65	
f) Prepaid Expenses	60.74	73.36	
g) Security Deposits	<u>46.70</u>	<u>44.87</u>	
TOTAL LOANS AND ADVANCES	11120.21		5760.97
TOTAL	<u>11120.21</u>		<u>5760.97</u>

* Includes Fixed deposit of Rs.2321.72 lacs pledged with banks as margin for securitisation/ Term Loan.

	(Rs.in Lacs)	
	As at 31-03-06	As at 31-03-05
SCHEDULE "I"		
CURRENT LIABILITIES		
a) Caution and Lease Deposits	54.68	93.28
b) Sundry Creditors	5195.97	1694.28
c) Unclaimed Dividend	24.06	21.41
d) Interest accrued but not due on loans	13230.35	9804.61
e) Others	1427.22	348.46
TOTAL CURRENT LIABILITIES	<u>19932.28</u>	<u>11962.04</u>
SCHEDULE "J"		
PROVISIONS		
a) For Taxation	3026.97	1772.36
b) For Retirement Benefits	14.26	35.79
c) For Non Performing Assets	1266.54	953.94
d) For diminution in value of investments	18.73	15.81
e) For Dividend on		
- Equity Shares	542.00	406.50
- Cumulative Redeemable Preference Shares	1.17	0.12
f) For Tax on Dividend and surcharge	76.18	53.14
TOTAL PROVISIONS	<u>4945.85</u>	<u>3237.66</u>
SCHEDULE "K"		
Miscellaneous Expenditure (to the extent not written off or adjusted)		
Share Issue Expenses	<u>3.81</u>	<u>5.50</u>

Schedules to the Profit and Loss Account

	For the year ended 31-03-06	For the year ended 31-03-05
SCHEDULE "L"		
INCOME FROM OPERATIONS		
Finance & Service Charges	18112.52	14674.03
Lease Rentals	10.70	422.07
Income on Securitisation	1485.83	2192.22
TOTAL	<u>19609.05</u>	<u>17288.32</u>
SCHEDULE "M"		
OTHER INCOME		
Interest on Loans & Advances *	157.68	147.90
Interest on Deposits with Banks *	112.58	135.77
Interest on Government Securities	13.76	13.76
Profit on Sale of Assets	0.00	1.07
Sale of Electricity	505.88	430.07
Miscellaneous Income *	76.41	102.17
TOTAL	<u>866.31</u>	<u>830.74</u>

* Tax deducted at source Rs.118.97 lacs (Previous year Rs.116.46 lacs)

Schedules to the Profit and Loss Account

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	(Rs.in Lacs)	
	For the year ended 31-03-06	For the year ended 31-03-05
SCHEDULE "N"		
INTEREST AND OTHER CHARGES		
Interest		
On Debentures	8237.41	8381.49
On Fixed Deposits	64.55	80.08
On Subordinated Debts	740.62	321.82
On Loans from Banks	395.33	279.93
On Loans from Institutions	81.54	79.29
On Loans from Others	128.07	107.53
	<u>9647.52</u>	<u>9250.14</u>
Processing charges on loans / Securitisation	0.73	162.83
TOTAL	<u>9648.25</u>	<u>9412.97</u>

SCHEDULE "O" **ADMINISTRATIVE AND OTHER EXPENSES**

Salaries and Other Allowances	469.62	531.97	
Gratuity	10.80	9.11	
Contribution to Provident and Other Fund	28.84	37.12	
Staff Welfare Expenses	53.11	31.40	609.60
	<u>562.37</u>	<u>31.40</u>	
Rent		176.30	105.64
Rates & Taxes		13.18	25.19
Repairs & Maintenance		263.44	128.80
Printing & Stationery		209.32	104.22
Travelling & Conveyance		197.20	165.44
Bank charges		76.43	78.26
Advertisement		32.78	9.95
Business Promotion Expenses		47.90	255.49
Brokerage & Commission		1465.55	1158.06
Sourcing Fees & Collection Charges		116.26	440.43
Royalty		47.85	47.50
Directors' Sitting Fees		0.20	0.28
Insurance		11.29	8.05
Postage & Telephone Charges		296.82	156.82
Professional Charges		41.28	41.30
Miscellaneous Expenses		426.24	260.03
TOTAL	<u>3984.41</u>	<u>3595.06</u>	

SCHEDULE "P" **PROVISIONS & WRITE OFF**

Provision for Non-Performing Assets	312.60	414.51
Provision for Diminution in value of Investments	2.92	-
Bad Debts written off	1297.67	555.91
	<u>1613.19</u>	<u>970.42</u>

SCHEDULE “Q” – Significant Accounting Policies and Notes on Accounts

(A) Significant Accounting Policies

1) General:

The financial statements have been prepared on the historical cost convention on accrual basis and in accordance with generally accepted accounting principles in India, the guidelines issued by Reserve Bank of India (RBI) and the Accounting Standard issued by the Institute of Chartered Accountants of India (ICAI)

2) Use of Estimates

The presentation of financial statements, in conformity with generally accepted accounting principles, require estimates and assumptions to be made that affect the reportable amount of assets and liabilities on the date of financial statement and the reportable amount of revenue and expenses during the reporting year. Differences between the actual results and estimates are recognised in the year in which the results are known / materialised.

3) Revenue Recognition:

- (i) Income from Financial lease is recognised on the basis of Internal Rate of Return and the corresponding assets are booked as receivables in accordance with Accounting Standard AS-19 issued by the Institute of Chartered Accountants of India. Lease rentals in respect of assets leased upto 31.03.2001 are recognised as per “Guidance Note on Accounting for Leases (Revised)” issued by the Institute of Chartered Accountants of India and in respect of these assets lease equalisation/adjustment accounts are created for the shortfall in capital recovery and adjusted in lease rental income/fixed assets. Income on Secured Hypothecation Loan is recognised on the basis of Internal Rate of Return. Hire Purchase finance charges are recognized under the 'Internal Rate of Return' method for agreements executed on or after 1st April 2001 and for all earlier agreements under the 'Sum Of Digits' method and additional finance charges are recognized on realisation.
- (ii) Gain or loss arising on securitisation up to 31st January, 2006 being difference between book value of securitised assets and consideration for the same has been recognised in the year of transfer of assets and thereafter over the life of the securitised assets.
- (iii) The Prudential norms for income recognition and provision for bad and doubtful debts prescribed by the Reserve Bank of India for Non Banking Financial Companies are followed.
- (iv) Income from power generation is recognised on supply of power to the grid.
- (v) Income from services is recognised as per the terms of the contracts.

4) Expenses Recognised

All the Revenue expenses including Interest are recognised on accrual basis and provided for in the books.

5) Fixed Assets and Depreciation:

Fixed assets have been stated at historical cost less depreciation. Depreciation has been provided under straight-line method at rates prescribed under the Companies Act, 1956. Assets costing Rs.5000/- or less are fully depreciated in the year of purchase.

Schedules to the Accounts

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SCHEDULE "Q" – Significant Accounting Policies and Notes on Accounts

6) Investments

Long-term investments are valued at cost and provision is made to recognise any decline in the value of investments, other than temporary. The profit / loss on the sale of investments is dealt with at the time of actual sale / redemption.

7) Receivables under Hire Purchase and Financial Lease Agreements

Receivables under Hire Purchase and Financial Lease Agreements are stated at agreement value and expenses recoverable as reduced by instalments received and unearned finance income as required under Accounting Standard AS-19 issued by the Institute of Chartered Accountants of India and shown net of assets securitised.

8) Retirement Benefits

Contributions under Provident Fund scheme are charged to Profit and Loss Account when incurred. Provision for Retirement benefits in the form of Gratuity and Leave encashment is made on the basis of Actuarial Valuations.

9) Equity Shares and Preference Shares Issue Expenses:

Equity Shares, Preference Shares and Debentures Issue expenses are written off over a period of 10 years

10) Expenses on Mobilisation of Deposits / Debentures:

Expenses on mobilization of deposits / debentures have been charged to Profit & Loss Account in the year they are incurred. However, expenses incurred upto 31st March, 2003 are charged to Profit & Loss Account on the basis of duration of deposits / debentures

(B) NOTES ON ACCOUNTS

1. Particulars of Secured Loans are as follows: –

- i) Cash Credit from Banks are secured by hypothecation of all present and future receivables covered by specific Hire Purchase/Lease/Loan Agreements.
- ii) Term Loans from Bank to the extent of Rs. 9833.33 lacs are secured by hypothecation of all the present and future receivables covered by specific Hire Purchase /lease/Loan Agreements.
- iii) Term Loans from Bank for Rs. 2714.59 lacs is secured by specific charge on Land, Machinery & Receivables relating to Windmills and guaranteed by a former director
- iv) Term Loan (others) is secured by specific charge on lands, machinery and receivables relating to windmill project.
- v) Redeemable Non Convertible Debentures are redeemable at par between six months and one hundred sixty months from the date of allotment depending on the terms of issue and are secured by charge on company's buildings, plant & machinery, receivables, leased assets, lease rentals including future receivables other than assets specifically charged to banks / institutions / other lenders, referred to (i), (ii), (iii) & (iv) above.

2. The Company is in the process of creating floating charges on its statutory liquid assets in favour of its Depositors as required by the Reserve Bank of India

SCHEDULE "Q" – Significant Accounting Policies and Notes on Accounts

3. Particulars of Receivables are as follows :-

On Hire Purchase and Financial Lease (for advances on or after 01 /04/2001)

Rs. in lacs

	As on 31 st March.2006	Receivable		
		Not Later than 1 Year	Later than 1 Year but not later than 5 Years	Later than 5 Years
GROSS INVESTMENTS	16474.87	9958.35	6516.52	NIL
Less:-				
UNEARNED INCOME	2523.83	1772.66	751.17	NIL
NET PRESENT VALUE	13951.04	8185.69	5765.35	NIL

4. Schedule to the Balance Sheet of a Non-Banking Financial Company

[as required in terms of paragraph 9BB of Non-Banking Financial Companies Prudential Norms (Reserve Bank) Directions, 1998]

Rs. in lacs

Particulars			
Liabilities side :			
1 Loans and advances availed by the NBFCs inclusive of interest accrued thereon but not paid :		Amount outstanding	Amount overdue
(a) Debentures : Secured		73462.84	nil
Unsecured (other than falling within the meaning of public deposits*)		nil	nil
(b) Deferred Credits		nil	nil
(c) Term Loans		13162.05	nil
(d) Inter-corporate loans and borrowings		nil	nil
(e) Commercial Paper		nil	nil
(f) Public Deposits*		449.41	nil
(g) Other Loans - HP Refinance		nil	nil
- Cash Credit from banks		3060.97	nil
- Others - Subordinated Debts		9646.09	nil
- ICD		257.85	nil
* Please see Note 1 below			
2 Break-up of (1)(f) above (Outstanding public deposits inclusive of interest accrued thereon but not paid)			
(a) In the form of Unsecured debenture		nil	nil
(b) In the form of partly secured debenture i.e. debentures where there is a shortfall in the value of security		nil	nil
(c) Other public deposit		449.41	nil

Rs. in lacs

Particulars			
Asset side :			
3 Break-up of Loans and advances including bills receivable [other than those included in (4) below]		Amount Outstanding	
(a) Secured		27.25	
(b) Unsecured		271.23	
4 Break-up of Lease 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		5412.59	
(b) Operating lease		nil	
(ii) Stock on hire including hire charges under sundry debtors:			
(a) Assets on hire		9309.93	
(b) Repossessed Assets		4.66	
(iii) Hypothecation loans counting towards EL/HP activities			
(a) Loans where assets have been repossessed		3.03	
(b) Loans other than (a) above		70558.73	

SCHEDULE "Q" – Significant Accounting Policies and Notes on Accounts

7 Investor group-wise classification of all investments(current and long term) in shares and securities(both quoted and unquoted): Please see Note 3 below		
Category	Market Value/ Break-up or fair value or NAV	Book value (net of provisions)
1 Related Parties**		
(a) Subsidiaries	nil	nil
(b) Companies in the same group	nil	nil
(c) Other related parties	nil	nil
2 Other than related parties	645.23	645.30
Total	645.23	645.30

** As per Accounting Standard of ICAI(please see Note 3)

8 Other information:		
	Particulars	Amount
(i)	Gross Non-Performing Assets	
	(a) Related Parties	nil
	(b) Other than related parties	3312.29
(ii)	Net Non-Performing Assets	
	(a) Related Parties	nil
	(b) Other than related parties	2045.74
(iii)	Assets acquired in satisfaction of debt	nil

Notes:

1 As defined in Paragraph 2(1)(xii) of the Non-Banking Financial Companies Acceptance of Public Deposits (Reserve Bank) Directions, 1998.

2 Provisioning norms applicable as prescribed in the Non-Banking Financial Companies Prudential Norms (Reserve Bank) Directions, 1998.

3 All Accounting Standards and Guidance Notes issued by ICAI are applicable including for valuation of investments and other assets as also assets acquired in satisfaction of debt. However, market value in respect of quoted investments and break-up/fair value/NAV in respect of unquoted investments should be disclosed irrespective of whether they are classified as long term or current in column (5) above.

5. In the opinion of the Board of Directors, Receivable and Debtors, have a value on realisation in the ordinary course of business, at least equal to the amount at which they are stated.

6. The Company does not have any dues payable to small-scale industries.

7. Contingent Liabilities : (Rs. In Lacs)

	As on 31.03.06	As on 31.03.05
i) Income Tax	160.63	229.06
ii) Interest Tax	Nil	96.82
iii) Guarantees	116.11	224.46
iv) In respect of assets Securitised	958.40	1152.24

Schedules to the Accounts

SCHEDULE "Q" – Significant Accounting Policies and Notes on Accounts

8. The company has sold receivables of Hire Purchase/ Hypothecation Loans through Direct Assignments. Up to 31st January 2006, profit or loss arising on account of assignment of receivables have been recognized at the time of sale, based on the difference between the book value of the assigned receivables and the amount of Sale consideration.

The Reserve Bank of India has since issued " Guidelines on Securitisation of Standard Assets' vide Circular no. DBOD No. BP.BC. 60/21.04.048/2005-06 dated 1st February 2006. ("The Guidelines"). Though the guidelines are not mandatory to bilateral transactions like the ones entered into by the company, the company keeping with its tradition of compliance and also as a matter of prudence the Profit/premium arising on assigned transactions from 1st February 2006 onwards is recognised over the life of the receivables assigned. Due to this change in accounting policy, the income for year is lower by Rs. 2341.50 lacs.

9. In light of the changing market situation, the additional finance charges are recognised on realisation, which were accounted as per the terms of agreement till the previous year. But for this change, the income for the year would have been higher by Rs. 407 lacs.

10. Expenses in respect of common branches and infrastructure are shared by the Company with other Companies and are booked under respective expenditure heads.

11. Miscellaneous expenses include:

Auditor's Remuneration including Branch Auditors:

Rs. In Lacs

	For the year ended 31.03.06	For the year ended 31.03.05
Statutory audit	4.16	3.58
Tax audit	0.96	0.95
Others	4.26	3.42

12. Details of payments / provisions on account of remuneration to Managing Director included in the Profit & Loss Account are as under :

Rs. In Lacs

	For the year ended 31.03.06	For the year ended 31.03.05
Salaries	2.57	5.48
House Rent Allowance	1.37	3.00
Company's contribution to PF/Pension Fund	0.31	0.76
Other perquisites	1.13	2.72
	<u>5.38</u>	<u>11.96</u>

13. The Particulars of generation of power by wind mills are as follows :

	For the year ended 31.03.06	For the year ended 31.03.05
Licensed Capacity	Not Applicable	Not Applicable
Installed Capacity	12800 kw	12800 kw
(As Certified by the management)		
Units Generated	1,73,32,680 Units	1,49,75,432 Units
Units sold	1,73,32,680 Units	1,49,75,432 Units

SCHEDULE "Q" – Significant Accounting Policies and Notes on Accounts

14. As per Accounting Standard AS-18, issued by The Institute Of Chartered Accountants of India, the Company's related parties are listed below :

Rs. In Lacs

SI No	Name	Nature of Relationship	Transactions	Receipts	Payments
i.	Akhilesh Kumar Singh	Managing Director	Remuneration		5.38
ii.	Shriram Financial Services Holding Private Limited	Holding Company	(a) Royalty (b) Data Sourcing fees (c) Service Charges (D) Consumer Durable business : - Advances - Interest	45.85	47.85 48.03 288.20 585.54

15. The Company is engaged primarily in the business of financing and accordingly there are no separate reportable segments as per Accounting Standard AS - 17 "Segment Reporting" issued by ICAI.

16. Earning per share

Particulars	Unit	For the year ended 31.03.06	For the year ended 31.03.05
Opening No.of shares	Nos. (Lacs)	271.00	271.00
Total No of shares outstanding	Nos. (Lacs)	271.00	271.00
Weighted Average No of shares outstanding	Nos. (Lacs)	271.00	271.00
Profit After Tax	Rs. (Lacs)	3167.29	2310.44
Less. Preference Dividend	Rs. (Lacs)	211.88	257.30
Net Profit for Equity Shareholders	Rs. (Lacs)	2955.41	2053.14
Earning per share	Rs.	10.91	7.58

17. Previous year's figures have been regrouped / rearranged wherever necessary.

As per our Report of even date

For **PIJUSH GUPTA & CO.,**
Chartered Accountants

R. K. DOKENIYA
Partner
Membership No : 004880

Chennai
29th June, 2006

For **SHRIRAM CITY UNION FINANCE LIMITED**

R. KANNAN
Managing Director

S. VENKATAKRISHNAN
Director

J.RADHAKRISHNAN
Company Secretary

Cash Flow Statement for the year ended 31st March, 2006

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	(Rs.in Lacs)	
	For the year ended 31.03.06	For the year ended 31.03.05
A . CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before Tax	4812.44	3643.79
Add : Interest and Finance Charges	9648.25	14460.69
Depreciation	415.38	495.13
Lease Equalisation Adjustments	(20.51)	(90.00)
Share Issue Expenses written off	1.69	1.69
(Profit) / Loss on Sale of Assets	0.00	(1.07)
Interest / Dividend received	(284.02)	(297.43)
Provisions and write off	1610.27	970.42
Provision for Diminution in value of Investments	2.92	0.00
Operating Profit before Working Capital Changes	16186.42	14135.50
Decrease in Stock-on-Hire	6011.34	13024.56
Decrease in Assets under Financial Lease	3313.30	1639.23
Increase in Receivables under Hypothecation Loan Agreements	(25049.27)	(22607.76)
Decrease in Leased Assets - Net of Sales	0.02	7.39
Increase in Loans and Advances	(3902.91)	(1295.27)
(Increase) /Decrease in other Receivables	(110.89)	140.68
Increase in Current Liabilities	7948.71	(11789.70)
Cash Generated from Operations	4396.72	8823.00
Interest and Finance Charges Paid	(9648.25)	(9412.97)
Direct Taxes paid	(1456.33)	(1156.37)
Net Cash Flow from Operating Activities (A)	(6707.86)	(1746.34)
B . CASH FLOW FROM INVESTING ACTIVITIES		
Bank Deposits (net)	(11635.22)	452.56
Sale of Fixed Assets	226.13	1.38
Purchase of Fixed Assets	(150.19)	(2505.86)
Purchase of Investments	(500.00)	0.00
Interest received	284.02	297.43
Net Cash Flow from Investing Activities (B)	(11775.26)	(1754.49)
C . CASH FLOW FROM FINANCING ACTIVITIES		
Increase in Inter Corporate Deposits	0.00	247.50
Increase in other Secured Borrowings	13072.14	1096.54
Decrease in Fixed Deposits	(233.03)	(90.44)
Increase in Subordinated Debts	3631.16	4235.24
Increase / (Decrease) in Debentures	5196.94	(911.98)
(Decrease) in Creditors - Own Assets	0.00	(1404.22)
Dividend Paid	(862.27)	(700.26)
Dividend Tax Paid	(117.05)	(91.00)
Net Cash Flow from Financing Activities (C)	20687.89	2381.38
Net Increase in Cash And Cash Equivalents [A]+ [B]+[C]	2204.77	(1119.45)
Cash and Cash Equivalents at the Beginning of the Year	8042.35	9161.80
Cash and Cash Equivalents at the End of the Year	10247.12	8042.35

As per our Report of even date

For **PIJUSH GUPTA & CO.,**
Chartered Accountants

For **SHRIRAM CITY UNION FINANCE LIMITED**

R. K. DOKENIYA
Partner
Membership No : 004880

R. KANNAN
Managing Director

S. VENKATAKRISHNAN
Director

J.RADHAKRISHNAN
Company Secretary

Chennai
29th June, 2006

**BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE
AS PER PART IV TO SCHEDULE VI TO THE COMPANIES ACT , 1956**

I. Registration Details

Registration No. State Code

Balance Sheet Date
Date Month Year

II. Capital Raised During the year
(Amount in Rs.'000s)

Public Issue	<input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/>	Right Issue	<input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/>
Bonus Issue	<input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/>	Private Placement	<input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/>

III. Position of Mobilisation and Deployment of Funds
(Amount in Rs.'000s)

Source of Funds	Total Liabilities	Total Assets
<input type="text" value="1"/> <input type="text" value="0"/> <input type="text" value="1"/> <input type="text" value="3"/> <input type="text" value="4"/> <input type="text" value="9"/> <input type="text" value="0"/> <input type="text" value="2"/>	<input type="text" value="1"/> <input type="text" value="0"/> <input type="text" value="1"/> <input type="text" value="3"/> <input type="text" value="4"/> <input type="text" value="9"/> <input type="text" value="0"/> <input type="text" value="2"/>	<input type="text" value="1"/> <input type="text" value="0"/> <input type="text" value="1"/> <input type="text" value="3"/> <input type="text" value="4"/> <input type="text" value="9"/> <input type="text" value="0"/> <input type="text" value="2"/>
	Paid-up Capital	Reserves & Surplus
	<input type="text" value="5"/> <input type="text" value="0"/> <input type="text" value="3"/> <input type="text" value="8"/> <input type="text" value="9"/> <input type="text" value="8"/>	<input type="text" value="6"/> <input type="text" value="3"/> <input type="text" value="3"/> <input type="text" value="5"/> <input type="text" value="0"/> <input type="text" value="4"/>
	Secured Loans	Unsecured Loans
	<input type="text" value="7"/> <input type="text" value="7"/> <input type="text" value="2"/> <input type="text" value="0"/> <input type="text" value="8"/> <input type="text" value="5"/> <input type="text" value="2"/>	<input type="text" value="9"/> <input type="text" value="6"/> <input type="text" value="0"/> <input type="text" value="1"/> <input type="text" value="4"/> <input type="text" value="6"/>
Application of Funds	Net Fixed Assets	Investments
	<input type="text" value="5"/> <input type="text" value="5"/> <input type="text" value="7"/> <input type="text" value="7"/> <input type="text" value="9"/> <input type="text" value="9"/>	<input type="text" value="6"/> <input type="text" value="6"/> <input type="text" value="4"/> <input type="text" value="0"/> <input type="text" value="3"/>
	Net Current Assets	Misc. Expenditure
	<input type="text" value="9"/> <input type="text" value="5"/> <input type="text" value="1"/> <input type="text" value="0"/> <input type="text" value="3"/> <input type="text" value="1"/> <input type="text" value="9"/>	<input type="text" value="3"/> <input type="text" value="8"/> <input type="text" value="1"/>
	Accumulated Losses	
	<input type="text" value="-"/> <input type="text" value="-"/>	

IV. Performance of Company
(Amount in Rs.'000s)

	Turnover	Total Expenditure
	<input type="text" value="2"/> <input type="text" value="0"/> <input type="text" value="4"/> <input type="text" value="7"/> <input type="text" value="5"/> <input type="text" value="3"/> <input type="text" value="6"/>	<input type="text" value="1"/> <input type="text" value="5"/> <input type="text" value="6"/> <input type="text" value="6"/> <input type="text" value="2"/> <input type="text" value="9"/> <input type="text" value="2"/>
+ -	Profit Before Tax	+ -
<input checked="" type="checkbox"/>	<input type="text" value="4"/> <input type="text" value="8"/> <input type="text" value="1"/> <input type="text" value="2"/> <input type="text" value="4"/> <input type="text" value="4"/>	<input checked="" type="checkbox"/>
	Earnings per share in Rs.	Dividend Rate %
	<input type="text" value="1"/> <input type="text" value="0"/> <input type="text" value="9"/> <input type="text" value="1"/>	<input type="text" value="3"/> <input type="text" value="0"/>

v. Generic Names of Three Principal Products /Services of Company (as per Monetary Terms)

Item Code No. (ITC Code)

Product Description

For **SHRIRAM CITY UNION FINANCE LIMITED**

Chennai
29th June, 2006

R. KANNAN
Managing Director

S. VENKATAKRISHNAN
Director

J.RADHAKRISHNAN
Company Secretary