

SAKTHI FINANCE LIMITED

BOARD OF DIRECTORS

Sri. M. Manickam *Chairman*
Sri. M. Balasubramaniam
Vice Chairman and Managing Director
Sri. S.A. Murali Prasad
Sri. A. Shanmugasundaram
Sri. P.S. Gopalakrishnan
Sri. M. Srinivaasan
Dr. A. Selvakumar

SENIOR MANAGEMENT

Sri. N. Srinivasan *Vice President*
Sri. P.A. Muralidharan *Vice President*
Dr. S. Veluswamy *General Manager*
Sri. G. Muniaswamy *General Manager*
Sri. V. Ramanathan *Deputy General Manager*
Sri. K. Guruprasad *Asst. General Manager*
Sri. K. Natesan *Asst. General Manager*

COMPANY SECRETARY

Sri. S. Venkatesh

REGISTERED OFFICE

62, Dr. Nanjappa Road
Coimbatore - 641 018
Phone : 0422 - 2231471 - 74 (4 lines)
Fax : 0422 - 2231915

REGISTRARS & TRANSFER AGENTS

SKDC Consultants Limited
No.11, Street No.1
S N Layout (West Power House Road)
Coimbatore - 641 012
Phone : 0422 - 6549995
Fax : 0422 - 2499574
E- Mail : info@skdc-consultants.com

BANKERS

Indian Overseas Bank
Canara Bank
The Karnataka Bank Ltd
State Bank of Travancore
The Catholic Syrian Bank Ltd
The Lakshmi Vilas Bank Ltd
Syndicate Bank
Central Bank of India
The South Indian Bank Ltd
Bank of India
Vijaya Bank

FINANCIAL INSTITUTIONS

Small Industries Development Bank of India
The Tamilnadu Industrial Investment Corporation Limited

AUDITORS

M/s. P.N. Raghavendra Rao & Co
Chartered Accountants
33, Desabandhu Street
Ramnagar
Coimbatore - 641 009

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SAKTHI FINANCE LIMITED

NOTICE TO MEMBERS

NOTICE is hereby given that the Fifty First Annual General Meeting of the members of the Company will be held on Monday, 25th August 2008 at 4.30 p.m. at President Hall, 734, Avanashi Road, Coimbatore - 641 018 to transact the following business.

You are requested to make it convenient to attend the meeting.

ORDINARY BUSINESS

1. To receive, consider and adopt the audited Balance Sheet as at 31st March 2008 and the Profit and Loss account for the year ended on that date together with the reports of the Board of Directors and Auditors.
2. To appoint a director in place of Sri S A Murali Prasad who retires by rotation and is eligible for reappointment.
3. To appoint a director in place of Sri P S Gopalakrishnan who retires by rotation and is eligible for reappointment.
4. To appoint M/s. P.N.Raghavendra Rao & Co, Chartered Accountants, Coimbatore as Statutory Auditors of the company to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting on the remuneration and out-of-pocket expenses as recommended by the Audit Committee and approved by the Board of Directors.

M/s. P.N. Raghavendra Rao & Co, Chartered Accountants, Coimbatore retire and are eligible for reappointment.

SPECIAL BUSINESS

5. To consider and if thought fit, to pass with or without modification, the following Resolutions as Ordinary Resolutions:

RESOLVED THAT in supersession of all resolutions passed in this regard and pursuant to Section 293(1)(a) and all other applicable provisions, if any, of the Companies Act 1956, consent of the Company be and is hereby accorded to the creation by the Board of Directors of the Company of such charges, mortgages and hypothecations in addition to the existing charges, mortgages and hypothecation by the Company as may be necessary on such of the assets of the Company, both present and future, in such manner as the Board may direct, together with power to take over the management of the Company in certain events, to or in favour of the financial institutions, investment institutions and their subsidiaries, banks, mutual funds, trusts and other bodies corporate (hereinafter referred to as the 'Lending Agencies') / Trustees for the holders of debentures / bonds and/or other instruments which may be issued on private placement basis or otherwise, to secure rupee term loans/foreign currency loans, debentures, bonds and other instruments of an equivalent aggregate value not exceeding Rs 500 crores together with interest thereon at the agreed rates, further interest, liquidated damages, premium on pre-payment or on redemption, costs, charges, expenses and all other moneys payable by the Company to the Trustees under the Trust Deed and to the Lending Agencies under their respective Agreements / Loan Agreements/ Debenture Trust Deeds to be entered into by the Company in respect of the said borrowings.

RESOLVED FURTHER THAT the Board of Directors of the Company or Committee thereof be and is hereby authorised to finalise with the Lending Agencies / Trustees the documents for creating the aforesaid charges, mortgages and/or hypothecations and to accept any modifications to, or to modify, alter or vary, the terms and conditions of the aforesaid documents and to do all such acts and things and to execute all such documents as may be necessary for giving effect to the above Resolution.

NOTES

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE ANNUAL GENERAL MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXY FORM SHOULD BE DEPOSITED WITH THE REGISTERED OFFICE OF THE COMPANY NOT LATER THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
2. As required under Clause 49 (IV)(G) of the Listing Agreement, the relevant details of directors seeking reappointment under Items Nos.2 and 3 is annexed.
3. The relative Explanatory Statement as required under Section 173(2) of the Companies Act 1956 setting out the material facts in respect of special business under Item No.5 is annexed.
4. The Register of Members and Share Transfer Books of the company will remain closed from Monday, 18th August 2008 to Monday, 25th August 2008, both days inclusive.
5. Members holding shares in dematerialised form are requested to bring their Client ID and DP ID Numbers for easy identification of attendance at the meeting.
6. Members holding shares in physical form are requested to intimate, indicating their folio number, the changes, if any, in their registered addresses either to the Company or to the Registrar and Share Transfer Agents, SKDC Consultants Limited, Coimbatore – 641 012 or to their respective Depository Participant (DP) in case the shares are held in dematerialised form.
7.
 - a. As per Section 205A of the Companies Act 1956, all unclaimed dividends up to the financial year ended 31st March 1994 have been transferred to the General Revenue Account of the Central Government. Shareholders who have not encashed their dividend warrant(s) for the said period are requested to forward their claims in prescribed Form No.II to The Companies Unpaid Dividend (Transfer to General Revenue Account of the Central Government) Rules 1978 to Registrar of Companies, Stock Exchange Building, Second Floor, 683-686, Trichy Road, Singanallur, Coimbatore - 641 005.
 - b. As per Section 205A (5) of the Companies Act 1956, the Company has transferred all unclaimed dividends for the financial years ended 31st March 1995, 1996 and 1997 which remained unclaimed for a period of seven years to the Investor Education and Protection Fund. Members are informed that no claims shall lie against the fund or the company in respect of individual amounts which were unclaimed or unpaid for a period of seven years from the dates that they first become due for payment and no payment shall be made in respect of each such claim.
 - c. The Special Interim Dividend of 5% paid during March 2007 on equity shares for the year ended 31st March 2007 will be transferred to the Investor Education and Protection Fund during May 2014. Members who have not encashed their dividend warrant are requested to claim the warrants at an early date.

Coimbatore
28th June 2008

By Order of the Board
S Venkatesh
Company Secretary

SAKTHI FINANCE LIMITED

EXPLANATORY STATEMENT UNDER SECTION 173(2) OF THE COMPANIES ACT 1956

Item No.5

The company would be borrowing monies from time to time for the purpose of business of the Company, from financial institutions, investment institutions and their subsidiaries, banks, mutual funds, trusts and other bodies corporate (hereinafter referred to as the 'Lending Agencies')/ Trustees for the holders of debentures / bonds and / or other instruments which may be issued on private placement basis or otherwise, to secure rupee term loans/foreign currency loans, debentures, bonds and other instruments.

This in turn necessitates enhanced creation of security by suitable charges and/or mortgages on all or some of the movable and / or immovable properties of the company, both present and future, in favour of the Lending Agencies/ Trustees.

Section 293(1)(a) of the Companies Act 1956 provides that the Board of Directors of a public company shall not, except with the consent of the Company in General Meeting, sell, lease or otherwise dispose of the whole or substantially the whole of the undertakings of the Company.

Accordingly, the consent of the members is required for creation of such charge / mortgage in favour of the Lending Agencies / Trustees. The proposed resolution seeks to authorise the Board of Directors to charge and/or mortgage the movable and / or immovable properties of the Company to secure the loans, debentures, financial assistance/ credit facilities obtained / to be obtained by the Company from the lenders up to Rs 500 crores.

The Board of Directors recommend the resolution for the approval of members.

None of the Directors is interested or concerned in the proposed resolution.

Coimbatore
28th June 2008

By Order of the Board
S Venkatesh
Company Secretary

Item Nos.2 and 3

DETAILS OF DIRECTORS SEEKING REAPPOINTMENT AT THE 51ST ANNUAL GENERAL MEETING AS REQUIRED UNDER CLAUSE 49 (IV)(G) OF THE LISTING AGREEMENT

Name	S A Murali Prasad	P S Gopalakrishnan
DIN	00001432	00001446
Date of birth and age	27th September 1941, 66 years	23rd August 1935, 72 years
Date of appointment on the Board	21st January 1984	20th November 2004
Qualifications	M.Com., A.C.A., AICWA	B.Com., LLB, AIB (London)
Expertise in specific functional areas	He is a leading practicing Management Consultant in Chennai and has been in practice for more than 3 decades. He has been advising corporates on finance, software consultancy etc.	Has got rich experience in heading banks and financial institutions
Directorships held in other public companies	Kovai Medical Center and Hospital Limited Rane Brake Linings Limited	Dharani Sugars and Chemicals Limited Kothari Sugars and Chemicals Limited Shriram General Insurance Company Limited
Memberships/ Chairmanships of Committees across public companies	Chairman 1. Audit Committee 2. Nomination and Remuneration Committee Sakthi Finance Limited Member Audit Committee: Rane Brake Linings Limited	Chairman 1. Audit Committee 2. Remuneration Committee Dharani Sugars and Chemicals Limited Kothari Sugars and Chemicals Limited Member Nomination and Remuneration Committee: Sakthi Finance Limited
Number of Shares held	Nil	Nil
Relationship with other directors	None	None

SAKTHI FINANCE LIMITED

DIRECTORS' REPORT

To the Members

Your directors are pleased to present their Fifty First Annual Report together with the audited accounts of the company for the financial year ended 31st March 2008.

FINANCIAL PERFORMANCE

(Rs lakhs)

Particulars	2007-08	2006-07
Profit before tax	640.05	495.93
Less: Provision for:		
- Income Tax	77.97	32.08
- Fringe Benefits Tax	7.80	8.37
- Deferred tax	231.80	140.83
Add: Income Tax provision withdrawn - earlier years	(3.22)	(1.70)
Profit after tax	325.70	316.35
Add: Surplus brought forward from last year	430.48	365.16
Less: Provision for Employee Benefits - earlier years	(31.72)	-
Amount available for appropriation	724.46	681.51
Appropriations:		
Special Interim Dividend	-	100.36
Dividend Tax on Special Interim Dividend	-	14.07
Transfer to Statutory Reserve	65.14	63.27
Surplus carried to Balance Sheet	659.32	503.81

BUSINESS

During the current financial year, the company's disbursement achieved a record level. The company disbursed Rs. 20278 lakhs in hire purchase business as against Rs.15034 lakhs during the previous financial year. The collection efficiency continues to be good. Your directors are hopeful of higher business volumes and profitability in the coming years.

RESERVES AND SURPLUS

As required under Section 45IC of the Reserve Bank of India Act 1934, the Company has transferred 20% of the net profit after tax to Statutory Reserve.

Effective 1st April 2007, the Company adopted the revised Accounting Standard 15 (AS-15) on 'Employee Benefits' issued by The Institute of Chartered Accountants of India.

In accordance with the transitional provision contained in the said Standard, the balance of Rs 31.72 lakhs between the liability in respect of employee benefits existing on the date of adoption of the standard has been adjusted against the opening balance of the surplus in Profit and Loss Account.

DIVIDEND

In view of conserving the resources for future needs, the Board of Directors have not recommended dividend on equity shares for the year ended 31st March 2008.

RIGHTS ISSUE

During the year the Company made a rights issue of 1,00,35,660 equity shares of Rs 10 each for cash at par aggregating to Rs 1003.57 lakhs to the shareholders in the ratio of one equity share for every two equity shares held on the record date i.e.31st October 2007. The allotment was completed on 30th January 2008 and the shares were listed in Bombay and Madras Stock Exchanges.

The utilisation of rights issue proceeds as against the objectives stated in the Letter of Offer is given below: (Rs lakhs)

Particulars	As stated in the Letter of Offer	Utilisation
Augmenting the capital base to meet fund requirements	953.57	972.64
Issue expenses	50.00	30.93
Total	1003.57	1003.57

DEPOSITS

The total deposits with the company as at 31st March 2008 stood at Rs. 6436 lakhs as against Rs 8186 lakhs for the corresponding period last year.

As at the end of the financial year, 935 public deposits amounting to Rs.265.02 lakhs were due for repayment but remained to be claimed or renewed. The Company reminded the depositors regularly about the maturity and out of the said deposits, 397 deposits amounting to Rs. 113.17 lakhs have since been claimed and repaid / renewed as per their instructions.

CAPITAL ADEQUACY

Consequent to the allotment of 1,00,35,660 equity shares on rights basis, the paid up capital of the company has increased to Rs. 3010.70 lakhs as on 31st March 2008 from Rs. 2007.13 lakhs as on 31st March 2007.

As a result of the enhanced net worth, the company's Capital to Risk Assets Ratio has increased to 17.73 per cent as on 31st March 2008, well above the 12 per cent prescribed by the Reserve Bank of India.

DIRECTORS

During the year, Dr N Mahalingam, Chairman retired from the Board of Directors with effect from 24th October 2007. He had been associated with the Company for more than four decades. The Board of Directors place on record invaluable guidance and mature advice given by Dr N Mahalingam during his tenure as Chairman of the Company.

To continue to avail of his advice, Board of Directors at their meeting held on 24th October 2007 have requested Dr N Mahalingam to act as Chairman Emeritus of the Company. Dr N Mahalingam has also consented to act as Chairman Emeritus of the Company.

The Board of Directors at their meeting held on 24th October 2007 have appointed Sri.M.Manickam, Vice Chairman as Chairman and Sri M Balasubramaniam, Managing Director as Vice Chairman and Managing Director of the Company.

The following directors retire by rotation at the ensuing Annual General Meeting and are eligible for reappointment.

1. Sri S A Murali Prasad
2. Sri P S Gopalakrishnan

The profiles of these directors, as required under Clause 49 (IV) (G) of the Listing Agreement entered into with stock exchanges are given in the Annexure to the Notice of the 51st Annual General Meeting.

AUDIT COMMITTEE

The Audit Committee is functioning with the following non-executive directors:

1. Sri S A Murali Prasad, Chairman
2. Dr A Selvakumar, Member
3. Sri A Shanmugasundaram, Member

SUBSIDIARY COMPANY

As required under Section 212 of the Companies Act 1956, the audited financial statements for the year ended 31st March 2008 of Sakthi Properties (Coimbatore) Limited, a wholly owned subsidiary, along with the Schedules and the reports of the Directors and Auditors and also the statement under the said section are attached.

CORPORATE GOVERNANCE REPORT

As required under Clause 49 of the Listing Agreement, a report on corporate governance and a certificate from the auditors of the company regarding compliance of the conditions of corporate governance as stipulated under the listing agreement form part of this report.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Industry Structure and Overview

India's economic growth remained intact with the GDP expanding by more than 9% for the third year as agricultural and allied sectors grow by 4.5% during 2007-08. The growth in services sector and manufacturing sectors have been around 10.7% and 8.8%. respectively. The drivers of growth for the Indian Economy continue to be services and manufacturing. The financial sector industry has been part and parcel of the services sector.

The financial services sector has direct linkage with the Commercial Vehicles Industry, which is the backbone of the transportation. With the continued growth in the economy, the demand for vehicle financing has assumed greater importance. This in turn has helped the Non-banking Financial Companies both directly and indirectly. Companies with strong customer focus, well established, wide network of branches with rural and urban presence will stand to gain. Our Company is one such company with the above attributes. These factors helped the company to increase its business volumes in Commercial Vehicle segment.

Opportunities

It is estimated that the Commercial Vehicles industry is expected to grow around 12% due to favourable demographic trends, anticipated growth recovery in commercial vehicles and robust export growth. Commercial Vehicle Industry is accounted for transporting more than 60% of the total freight in the country. As per research studies conducted the pre-owned commercial vehicle financing is estimated to be around Rs.63,000 crores. Our Company with strong customer contact and branch network will capitalise this opportunity and make higher volumes of business.

Threats

The hike in prices of petroleum products and steps taken to curb inflationary pressures may have an impact on various sectors of the economy. In this process, the road transport industry with which our Company is closely associated may also be affected. But as our Company is in pre-owned truck finance segment, the impact will be less.

Business Outlook

India's economic growth is likely to remain positive and all sectors of economy to grow at moderate level. With the improvement in infrastructure of road transport sector, there will be positive impact on Commercial Vehicle industry and consequently the financial sector. Our Company concentrates on funding the used vehicle segment which has not been exploited fully, the growth potential in this sector will remain higher. Consequently, this will lead to higher disbursements to our company in the coming years.

Performance and Financial Review

For the year under review, the company's disbursement recorded a new high. The total disbursement for the year is Rs. 20278 lakhs in hire purchase finance business as against Rs 15034 lakhs in the previous financial year. As on 31st March 2008, the total deposits with the company was at Rs.6436 lakhs. The gross income for the year was Rs.4222.59 lakhs and the net profit after tax for the year was at Rs. 325.70 lakhs. The company has charged in profit and loss account Rs. 81.41 lakhs as depreciation.

Risks and Concerns

The Company is exposed to normal industry risks such as credit risk, market risk and operational risk. These risks are mitigated by adopting prudent business and risk management policies. The risk management policies are periodically reviewed by the Audit Committee so as to modify them to suit Company's business needs.

Internal Control System and its Adequacy

The Company has a sound and adequate system of internal controls to monitor and control all the activities. The Company complies with all internal control policies and procedures as also other regulatory requirements. The Audit Committee is briefed of all internal controls.

Human Resources Development

During the year, the Company maintained very harmonious and cordial industrial relations. As on 31st March 2008, there were 239 employees. The Company's human resources philosophy is to establish and build a strong performance and competency driven culture with higher sense of accountability and responsibility among its employees. The Company has taken necessary steps to strengthen organisational competency through training programmes at various levels and installing effective system.

PARTICULARS REQUIRED UNDER SECTION 217 OF THE COMPANIES ACT 1956

As required under Section 217(1)(e) of the Companies Act 1956 read with Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules 1988:

- a. The Company has no activity involving conservation of energy or technology absorption;
- b. The Company does not have any Foreign Exchange Earnings; and
- c. Foreign Exchange Outgo : Rs 3.73 lakhs

The company has no employee drawing remuneration more than the limits prescribed under Section 217(2A) of the Companies Act 1956.

DIRECTORS' RESPONSIBILITY STATEMENT

As required under Section 217(2AA) of the Companies Act 1956, your directors confirm to the best of their knowledge and belief, that:

- a. in the preparation of the annual accounts, the applicable accounting standards had been followed and that no material departure had been made from it;
- b. the directors had selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit of the company for the financial year;
- c. the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities; and
- d. the directors had prepared the annual accounts on a going concern basis.

AUDITORS

M/s P N Raghavendra Rao & Co, Chartered Accountants, Coimbatore retire at the conclusion of the ensuing Annual General Meeting and are eligible for reappointment. The company has obtained a confirmation from the auditors that their reappointment, if made, at the forthcoming annual general meeting would be within the limit specified under Section 224 (1B) of the Companies Act 1956.

ACKNOWLEDGEMENTS

Your directors wish to place on record the valuable assistance and co-operation extended by the members, banks, financial institutions and government authorities. The Board of Directors wish to convey their sincere thanks to the depositors and debenture holders of the company for their continued patronage. They also wish to appreciate the excellent services rendered by the employees of the company.

We pray the Goddess SAKTHI to continue to shower Her blessings and to guide us in all our endeavours.

For and on behalf of the Board

Coimbatore
28th June 2008

M MANICKAM
Chairman

CORPORATE GOVERNANCE REPORT

(Pursuant to Clause 49 of the Listing Agreement)

1. Company's Philosophy on Corporate Governance

The company's philosophy on corporate governance continues to aim at high levels of transparency, accountability and equity in all areas of its operations and its dealing with members, employees, customers, lenders, regulatory and government agencies so as to enhance the shareholder value in all possible way.

2. Board of Directors

a. Composition and size of the Board

The Board of Directors consists of seven members, out of which one is a Vice Chairman and Managing Director and six are Non-Executive Directors who bring in a wide range of skills and experience to the Board. The Board has a Non-Executive Chairman and the number of independent directors is one-third of the total number of directors. The composition of the Board is in conformity with Clause 49 of the Listing Agreement.

As per the recent amendment to Clause 49 of the Listing Agreement, if the non-executive Chairman is a promoter of the Company or is related to any promoter or person occupying the management positions at the Board level or at one level below the Board, at least one half of the Company's Board shall consist of independent directors. As our Chairman represents the promoter's family, the Company has to appoint an Independent Director to comply with the requirement. The Company has taken initiatives to comply with the recent amendment to Clause 49 of the Listing Agreement relating to composition of Directors for appointment of an Independent Director.

The Board of Directors and its Committees meet at periodic intervals. Policy formulation, setting up of goals and evaluation of performance and control function vest with the Board. The Board has constituted four Committees, namely, Audit Committee, Nomination and Remuneration Committee, Shareholders' / Investors' Grievance Committee and Asset Liability Management Committee.

None of the Directors on the Company's Board is a member of more than ten Committees and Chairman of more than five Committees across all companies in which he is a Director. The necessary disclosures regarding Committee positions have been made by the Directors.

b. Number of Board Meetings held during the year

During the financial year, eight Board Meetings were held on 12th April 2007, 23rd April 2007, 28th June 2007, 31st July 2007, 15th October 2007, 24th October 2007, 31st October 2007 and 31st January 2008. The gap between two meetings did not exceed four months. The information as required under Annexure - IA to Clause 49 of the Listing Agreement is being made available to the Board for discussion and consideration at Board Meetings. The Board has also taken on record the certificates given by the senior management personnel regarding compliance with the applicable laws on quarterly basis.

c. Code of Conduct

The Board of Directors have adopted a Code of Conduct and Ethics ("the Code") to ensure compliance with the legal requirements and standards of business conduct. The purpose of the Code is to deter wrong doing and promote ethical conduct.

The Code applies to all Directors and members of Senior Management of the company. All Board Members and Senior Management personnel of the company have affirmed compliance with the Code. A declaration to this effect, signed by Vice Chairman and Managing Director is annexed. The Code has been hosted on the website of the company.

d. Attendance and other Directorships

The composition of the Board of Directors, category, relationship with other Board Members, attendance at board meetings held during the financial year and at the last Annual General Meeting, number of other directorships and committee chairmanship / membership held are given below.

Name of the Director	Category of Director	Relationship with other Directors	Financial year 2007-08 Attendance at		As on 28th June 2008		
			Board meeting	Last AGM	No. of other directorships *	Committee position	
						Chairman**	Member**
Dr N Mahalingam ¹ DIN : 00206894	Non-executive Chairman, Promoter	Father of Sri M Manickam, Sri M Balasubramaniam and Sri M Srinivaasan	5	Yes	6	1	—
Sri M Manickam ² DIN : 00102233	Non-executive Chairman, Promoter	Son of Dr N Mahalingam, brother of Sri M Balasubramaniam and Sri M Srinivaasan	7	Yes	11	—	1
Sri M Balasubramaniam ³ DIN : 00377053	Vice Chairman and Managing Director, Promoter	Son of Dr N Mahalingam, brother of Sri M Manickam and Sri M Srinivaasan	7	Yes	11	1	2
Sri M Srinivaasan DIN : 00102387	Non-executive Director, Promoter	Son of Dr N Mahalingam, brother of Sri M Manickam and Sri M Balasubramaniam	6	Yes	12	—	1
Sri A Shanmugasundaram DIN : 00048744	Non-executive Director, Non-Independent	Brother in law of Dr N Mahalingam	8	Yes	1	—	—
Sri S A Murali Prasad DIN : 00001432	Non-executive Director, Independent	None	7	Yes	2	—	1
Dr A Selvakumar DIN : 01099806	Non-executive Director, Independent	None	8	Yes	3	1	—
Sri P S Gopalakrishnan DIN : 00001446	Non-executive Director, Independent	None	7	Yes	3	2	—

¹ retired as Chairman / Director of the Company with effect from 24th October 2007

² appointed as Chairman of the Company with effect from 24th October 2007

³ appointed as Vice Chairman and Managing Director of the Company with effect from 24th October 2007

* excludes directorships in private limited companies and Section 25 companies

** only Audit Committee and Shareholders'/Investors' Grievance Committee of public limited companies are considered for this purpose

3. COMMITTEES OF THE BOARD

A. Audit Committee

The brief terms of reference of the Audit Committee are:

- Reviewing the accounting systems and policies periodically and suggest any improvements to the Board as and when required
- Reviewing the financial statements before they are submitted to the board of directors
- Reviewing the internal control systems
- Any other matters that are relevant

The committee consists of 3 non-executive directors, of which 2 are independent directors.

SAKTHI FINANCE LIMITED

The composition of the Audit Committee and the attendance of its members are given below:

Name	No. of meetings held	No. of meetings attended
Sri S A Murali Prasad, Chairman	6	6
Dr A Selvakumar, Member	6	6
Sri A Shanmugasundaram, Member	6	4

The committee held six meetings during the financial year on 30th May 2007, 28th June 2007, 30th July 2007, 30th October 2007, 30th January 2008 and 14th March 2008.

All members of Audit Committee are financially literate. The minutes of the Audit Committee are placed before the Board of Directors at their meetings. The Chairman of Audit Committee was present at the last Annual General Meeting.

B. Nomination and Remuneration Committee

The Board of Directors at their meeting held on 31st July 2007 has renamed the Remuneration Committee as Nomination and Remuneration Committee. The Nomination and Remuneration Committee determines and recommends to the Board the appointment of independent directors to the Board. It also recommends remuneration including commission, perquisites and allowances payable to Vice Chairman and Managing Director. The company has complied with the non-mandatory requirement of Clause 49 regarding Nomination and Remuneration committee.

The committee consists of three non-executive, independent directors.

The composition of Nomination and Remuneration Committee is given below:

Sri S A Murali Prasad, Chairman

Dr A Selvakumar, Member

Sri P S Gopalakrishnan, Member

The Committee has not met during the year.

Remuneration policy of the company is given below:

For Vice Chairman and Managing Director

The total remuneration, subject to members' approval, consists of a fixed component viz. salary, perquisites and allowances as per company's Rules and a variable component, linked to the performance of the company, consisting of commission within the limits approved by the members.

For Non-Executive Directors

Sitting fees as permitted under the Companies Act 1956 plus reimbursement of actual travelling and out-of-pocket expenses incurred for attending such meetings. Non-executive directors are not being paid any commission.

The details of remuneration / fees paid to the executive / non-executive directors for the year 2007-08 and the shares held by them are given below. (Rs.Lakhs)

Name of the Director	Salary	Commis- sion	Perqui- sites	Sitting Fees	Total	No. of equity shares held
Dr N Mahalingam*	-	-	-	0.10	0.10	2,76,023
Sri M Manickam	-	-	-	0.14	0.14	92,813
Sri M Balasubramaniam	6.00	6.68	4.92	-	17.60	1,92,000
Sri M Srinivaasan	-	-	-	0.12	0.12	2,51,355
Sri A Shanmugasundaram	-	-	-	0.16	0.16	7,875
Sri S A Murali Prasad	-	-	-	0.14	0.14	Nil
Dr A Selvakumar	-	-	-	0.16	0.16	Nil
Sri P S Gopalakrishnan	-	-	-	0.14	0.14	Nil

* retired as Chairman/ Director with effect from 24th October 2007

Notes:

1. The appointment of Vice Chairman and Managing Director is governed by the Articles of Association of the company and the resolutions passed by the Board of Directors and members of the company. These cover the terms and conditions of such appointment. Sri M Balasubramaniam was reappointed as Managing Director of the company for a period of 5 years with effect from 29th September 2005. He will hold office up to 28th September 2010. The Company does not have any service contract with Vice Chairman and Managing Director.
2. In terms of the Articles of Association, the resignation of a director becomes effective upon its acceptance by the Board.
3. No severance fee is payable to the Directors on termination of employment.
4. The company has no stock option scheme either to its directors or employees.
5. None of the non-executive directors have any pecuniary relationship or transactions with the company.

C. Shareholders' / Investors' Grievance Committee

The function of the committee is to redress the grievances of Shareholders' / Investors' and to create and review the systems for improving the services.

Composition

Consequent to the retirement of Dr N Mahalingam, Chairman, the Board of Directors at their meeting held on 24th October 2007 reconstituted the Committee by inducting Sri M Manickam and appointing him as Chairman of the Committee.

The present composition of the Shareholders' and Investors' Grievance Committee is given below:

Sri. M Manickam, Chairman

Sri M Balasubramaniam, Member

Dr A Selvakumar, Member

Sri S Venkatesh, Company Secretary, is the Compliance Officer.

The Committee met periodically to attend to transfer / transmission of shares, issue of duplicate share certificates and other grievances of shareholders. The Committee met 4 times during the year on 20th June 2007, 30th September 2007, 26th December 2007 and 13th March 2008 and all the members attended the meeting.

During the year, the Company received 31 grievances from shareholders in addition to the requests for transfer / transmission of shares and issuance of duplicate share certificates. They were expeditiously attended to the satisfaction of the share holders. No complaint was pending as at the close of the financial year.

D. Asset Liability Management Committee

The Asset Liability Management Committee reviews the company's fiscal and risk management policies and practices adopted by the company.

The committee consists of the following Director / executives.

Sri M Balasubramaniam, Vice Chairman and Managing Director, Chairman

Sri N Srinivasan, Vice President

Dr S Veluswamy, General Manager (Operations)

The committee held three meetings during the financial year on 27th June 2007, 29th October 2007 and 29th January 2008 and all the members attended the meetings.

4. SUBSIDIARY COMPANY

The Company does not have a material non-listed Indian subsidiary company and hence, it is not required to have an independent director of the company on the Board of such subsidiary company. The Audit Committee reviews the financials of the subsidiary company. The minutes of subsidiary is placed before the Board of Directors of the company.

5. GENERAL BODY MEETINGS

Details of date, time and venue where the last three Annual General Meetings held are given below:

Year	AGM	Date	Time	Venue
2007	50th	20th August 2007	3.00 p.m	President Hall
2006	49th	6th September 2006	3.00 p.m	734, Avanashi Road
2005	48th	19th September 2005	3.30 p.m	Coimbatore - 641 018

Details of Special Resolutions passed in the previous three Annual General Meetings are as follows:

Date of AGM	Particulars of Special Resolutions passed
20th August 2007 (50th AGM)	1. Alteration of Articles with regard to affixation of Common Seal
	2. Issue of Secured Redeemable Non-Convertible Debentures up to Rs 100 crores on private placement basis
	3. Charging / Mortgaging the assets of the Company up to Rs 100 crores in favour of Debenture Trustees
6th September 2006 (49th AGM)	Nil
19th September 2005 (48th AGM)	Nil

No special resolution has been put through postal ballot during the last three years. The company has no proposal to pass any Special Resolution by way of Postal Ballot at the ensuing Annual General Meeting.

6. DISCLOSURES

- a. The details of related party disclosures are furnished in Note 9.0 of Schedule 19 to the accounts. The Company has not entered into any other transactions of material nature with its promoters, directors or management, their subsidiaries or relatives etc. that may have a potential conflict with the interest of the company at large. The register of contracts containing the transaction in which the directors are interested or concerned is placed before the Board for its approval.
- b. The Audit Committee is periodically briefed of related party transactions entered into by the company in the ordinary course of business.
- c. The senior management has made disclosures to the Board relating to all material financial and commercial transactions stating that they did not have personal interest that may have a potential conflict with the interest of the company at large.
- d. There are no instances of non-compliance by the company on any matters relating to capital markets, nor have any penalty / strictures been imposed on the company by Stock Exchanges or SEBI or any other statutory authority on any matter relating to capital markets during the last three years.
- e. The company follows Accounting Standards issued by the Central Government and in the preparation of financial statements, the company has not adopted a treatment different from that prescribed in an Accounting Standard.

f. In accordance with Clause 49 V of the Listing Agreement relating to CEO/CFO certification, Vice Chairman and Managing Director and Vice President have given necessary certificate to the Board for the financial year ended 31st March 2008.

7. MEANS OF COMMUNICATION

The quarterly results are published in national / regional daily ("Business Line" in English and "Malaimalar" in Tamil). The half yearly results are not individually sent to the shareholders.

8. MANAGEMENT

A detailed Management Discussion and Analysis Report forms part of the Directors' Report.

9. DIRECTORS' REAPPOINTMENT

Details of disclosure regarding re-appointment of directors liable to retire by rotation are given in the Annexure to the Notice.

10. GENERAL SHAREHOLDER INFORMATION

51st Annual General Meeting

Day, Date and Time : Monday, 25th August 2008 at 4.30 p.m

Venue : President Hall, 734, Avanashi Road, Coimbatore - 641 018

FINANCIAL CALENDAR FOR 2008-09

Unaudited financial results for the quarter ending June 2008 : Before 31st July 2008

Unaudited financial results for the quarter ending Sept. 2008 : Before 31st Oct. 2008

Unaudited financial results for the quarter ending Dec. 2008 : Before 31st Jan. 2009

Audited financial results for the year ending Mar. 2009 : Before 30th June 2009

Annual General Meeting for the year ending Mar. 2009 : Aug. / Sept. 2009

BOOK CLOSURE DATES

From Monday, 18th August 2008 to Monday, 25th August 2008, both days inclusive.

Listing on Stock Exchanges and Stock Code

a. Listing

The equity shares are listed at Mumbai and Madras Stock Exchanges. The listing fee has been paid to both the exchanges.

The company has paid the annual custodial fee for the year 2008-09 to National Securities Depository Limited and Central Depository Services (India) Limited on the basis of beneficial accounts maintained by them as on 31st March 2008.

b. The Company's Stock Codes are as follows:

Stock Exchange	Stock Code
Bombay Stock Exchange Limited, Mumbai	511066
Madras Stock Exchange Limited, Chennai	SKF

c. International Securities Identification Number (ISIN) INE302E01014

d. Corporate Identity Number (CIN) L65910TZ1955PLC000145

SAKTHI FINANCE LIMITED

Market Price Data

The monthly high and low market price of the company's shares traded on Bombay Stock Exchange Limited, Mumbai for the financial year 2007-08 is furnished below:

Month	BSE Price		BSE Sensex	
	High (Rs)	Low (Rs)	High	Low
April 2007	15.26	11.08	14384	12426
May 2007	14.15	10.92	14576	13554
June 2007	15.70	10.81	14683	13947
July 2007	15.50	11.80	15869	14639
August 2007	16.01	12.20	15542	13780
September 2007	16.50	12.10	17361	15323
October 2007	16.90	12.52	20238	17145
November 2007	15.00	10.45	20204	18183
December 2007	25.92	12.51	20498	18866
January 2008	35.90	14.75	21207	15332
February 2008	15.50	11.21	18895	16458
March 2008	13.12	9.30	17228	14677

REGISTRARS AND SHARE TRANSFER AGENTS

SKDC Consultants Limited

No.11, Street No.1, S N Layout (West Power House Road), Coimbatore – 641 012
 Phone : (0422) 6549995 Fax : (0422) 2499574 E-Mail : info@skdc-consultants.com

SHARE TRANSFER SYSTEM

All transfers received are processed by the Registrars and Share transfer agents and are approved by the Share Transfer Committee. Share transfers are registered and returned to the shareholders within the stipulated time if the documents are in order.

Pursuant to Clause 47(c) of the Listing Agreement with the Stock Exchanges, certificates on half yearly basis, have been issued by a Company Secretary in practice for due compliance of share transfer formalities by the Company. Pursuant to SEBI (Depositories and Participant's) Regulations 1996, certificates have also been received from a Company Secretary in Practice for timely dematerialisation of shares of the company and for conducting a secretarial audit on a quarterly basis for reconciliation of the share capital of the company.

DISTRIBUTION OF SHAREHOLDING AS ON 31ST MARCH 2008

Share holdings	No. of share holders	% of share holders	No. of shares	% of share holding
1 - 500	14,407	89.87	20,89,887	6.94
501 - 1000	953	5.94	7,40,240	2.46
1001 - 2000	382	2.38	5,59,561	1.86
2001 - 3000	110	0.69	2,74,918	0.91
3001 - 4000	32	0.20	1,14,721	0.38
4001 - 5000	33	0.21	1,56,308	0.52
5001 - 10000	51	0.32	3,70,599	1.23
10001 & above	63	0.39	2,58,00,747	85.70
Total	16,031	100.00	3,01,06,981	100.00

SHAREHOLDING PATTERN AS ON 31ST MARCH 2008

Category	Percentage
Promoters	58.96
Other bodies corporate	6.33
Banks, Financial Institutions and mutual funds	0.01
Non-resident Incorporated Entity	14.78
Non-Resident Indians	0.03
Resident public	19.89
Total	100.00

DEMATERIALIZATION OF SHARES AND LIQUIDITY

The Company's shares are compulsorily traded in dematerialised form and are admitted for trading under both the depositories of India viz. National Securities Depository Ltd (NSDL) and Central Depository Services (India) Ltd (CDSL). 33,38,287 Equity Shares of the Company constituting 11.09% of the paid-up capital were dematerialised as on 31st March 2008.

NOMINATION FACILITY

The company is accepting nomination forms from shareholders in the prescribed Form No.2B. Any shareholder, who is desirous of making a nomination, is requested to contact the share department at the Registered Office of the company or the Registrar and Share Transfer Agents. Shareholders holding shares in dematerialised form are requested to forward their nomination instructions to the depository participant concerned. Nomination is only optional and can be cancelled or varied by the shareholder at any time.

OUTSTANDING GDRs/ADRs/WARRANTS OR ANY CONVERTIBLE INSTRUMENT'S CONVERSION DATE AND LIKELY IMPACT ON EQUITY

The company has not issued any GDRs/ADRs/ Warrants or any convertible instruments.

ADDRESS FOR CORRESPONDENCE

Sakthi Finance Limited, 62, Dr.Nanjappa Road, Post Box No.3745, Coimbatore - 641 018
Tel : 0422 - 2231471-474 Fax : 0422 - 2231915

INVESTOR CORRESPONDENCE

All shareholders' correspondence should be addressed to the company's Registrars and Share Transfer Agents at the address mentioned above.

Contact Person: Sri.K Marimuthu

Shareholders may also contact Sri S. Venkatesh, Company Secretary and Compliance Officer at the Registered Office of the company for any investor grievance related matters.

Tel. Nos : (0422) 2231471- 474 E- mail : svenkatesh@sakthifinance.com

Pursuant to Clause 47(f) of the Listing Agreement, the company has designated the following exclusive E-mail Id for the convenience of investors.

svenkatesh_shares@sakthifinance.com

11. AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

As stipulated in Clause 49 of the Listing Agreement, the Auditors' certificate on compliance of conditions of corporate governance is annexed to the Directors' Report.

COMPLIANCE WITH NON-MANDATORY REQUIREMENTS

The company has adopted all mandatory requirements of Clause 49 of the Listing Agreement and the status of compliance in respect of **non-mandatory requirements** stipulated by the said clause is as under:

- No separate office is maintained for non-executive Chairman at the company's expense. The tenure of independent directors is not being restricted to a period of nine years in the aggregate since the Board of Directors is unanimously of the opinion that the length of the tenure on the Board would not have any material negative impact on the performance of independent directors and discharge of their duties towards the company.

SAKTHI FINANCE LIMITED

- The Company has voluntarily constituted a Nomination and Remuneration Committee as required under the Listing Agreement.
- The half-yearly financial results are published in leading newspapers as mentioned above. Therefore, the results are not being separately circulated to the shareholders.
- The company takes concrete and conscious steps in ensuring that the Auditors do not have any qualifications on the financial statements. Queries and suggestions on financial statements, if any, are addressed by the company officials to the satisfaction of auditors.
- The directors are kept informed of the latest developments in laws, rules and regulations, as also the various risks to which the company is exposed and the manner in which these risks are mitigated / minimised. Therefore, the need for formal training on these issues is not felt necessary at present.
- No separate mechanism has been formulated to evaluate the non-executive Board members.
- At present the Company does not have a documented Whistle Blower Policy in place. However, the company personnel feel free to report to the management of any concern they may have about various aspects.

For and on behalf of the Board

Coimbatore
28th June 2008

M MANICKAM
Chairman

ANNUAL DECLARATION BY VICE CHAIRMAN AND MANAGING DIRECTOR PURSUANT TO CLAUSE 49(I)(D)(ii) OF THE LISTING AGREEMENT

As required under Clause 49(I)(D)(ii) of the Listing Agreement with the Stock Exchanges, I declare that all the Board Members and Senior Management Personnel of the Company have affirmed compliance with the Company's Code of Conduct and Ethics for the year ended 31st March 2008.

For Sakthi Finance Limited

Coimbatore
28th June 2008

M BALASUBRAMANIAM
Vice Chairman and Managing Director

AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

To the members of Sakthi Finance Limited

We have examined the compliance of conditions of Corporate Governance by Sakthi Finance Limited for the year ended on 31st March 2008, as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchanges.

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

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

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

For P N Raghavendra Rao & Co
Chartered Accountants

P R VITTEL
Partner

Coimbatore
28th June 2008

Membership No:18111

AUDITORS' REPORT

To the members of Sakthi Finance Limited

1. We have audited the attached Balance Sheet of Sakthi Finance Limited as at 31st March 2008, the Profit and Loss Account and also the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 issued by the Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we give below a statement on the matters specified in paragraphs 4 and 5 of the said Order.
 - i. In respect of its fixed assets:
 - a. The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets on the basis of available information.
 - b. As explained to us, the fixed assets have been physically verified by the management during the year in a phased periodical manner, which in our opinion is reasonable, having regard to the size of the Company and nature of its assets. No material discrepancies were noticed on such physical verification.
 - c. In our opinion, the Company has not disposed of substantial part of fixed assets during the year.
 - ii. The company does not hold any inventories and therefore Clause 4 (ii) of the Companies (Auditor's Report) Order 2003 is not applicable to the company.
 - iii.
 - a. The company has not granted any loan during the year to companies covered in the register maintained under Section 301 of the Companies Act, 1956. The company has granted loans to three companies in earlier years and the balance outstanding as at 31st March 2008 is Rs.393.57 Lakhs.
 - b. In our opinion and according to the information and explanations given to us, the rate of interest, and other terms and conditions of the loans granted are *prima facie* not prejudicial to the interest of the Company.
 - c. The receipt of principal amount and interest on loans granted are not regular.
 - d. The company has taken reasonable steps for recovering the principal and interest.
 - e. The company has not taken any loans, secured or unsecured, from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956.
 - iv. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business for purchase of fixed assets and for sale of services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in the internal control system.
 - v.
 - a. In our opinion and according to the information and explanations given to us, the particulars of contracts or arrangements referred to in Section 301 of the Companies Act, 1956 that need to be entered into the register maintained under that section have been so entered.

SAKTHI FINANCE LIMITED

- b. In our opinion and according to the information and explanations given to us, transactions made in pursuance of such contracts or arrangements have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- vi. The Company has accepted deposits from the public and has complied with the directives issued by the Reserve Bank of India and the provisions of Section 58A and 58AA or any other relevant provisions of the Companies Act, 1956 and the rules framed thereunder, wherever applicable.
- vii. In our opinion, the internal audit system of the Company is commensurate with its size and nature of its business.
- viii. The Central Government has not prescribed the maintenance of any Cost Records under Section 209 (1)(d) of the Companies Act, 1956.
- ix. In respect of statutory dues:
- a. According to the records of the Company, undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Sales-tax, Wealth tax, Customs duty, Service tax and other statutory dues have generally been regularly deposited with the appropriate authorities though there has been a slight delay in few cases. According to the information and explanations given to us, no undisputed amounts payable in respect of the aforesaid dues were outstanding as at 31st March, 2008 for a period of more than six months from the date of becoming payable.

- b. The disputed statutory dues aggregating to Rs.32 Lakhs that have not been deposited on account of matters pending before appropriate authorities are as under:

Sl. No	Name of the Statute	Nature of dues	Amount Rs. Lakhs	Period to which the amount relates	Forum where dispute is pending
1	Income Tax Act, 1961	Income Tax	31.11	1987-88 to 1993-94	Supreme Court of India
2	Interest Tax Act, 1974	Interest Tax	0.89	1994-95 to 1998-99	Appeal is being filed before the High Court

- x. The Company has no accumulated losses as at 31st March 2008 and it has not incurred any cash losses during the financial year covered by our audit and in the immediately preceding financial year.
- xi. Based on our audit procedures and according to the information and explanation given to us, we are of the opinion that the Company has not defaulted in repayment of dues to financial institutions, banks or debenture holders.
- xii. In our opinion and according to the information and explanation given to us, adequate documents and records have been maintained in respect of loans granted by the Company on the basis of security by way of pledge of debentures.
- xiii. In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund/society. Therefore, Clause 4(xiii) of the Companies (Auditor's Report) Order 2003 is not applicable to the Company.
- xiv. The company is not dealing in shares, securities, debentures and other investments.
- xv. According to the information and explanations given to us, the company has not given any guarantee during the year for loans taken by others from banks or financial institutions.

- xvi. In our opinion the term loans obtained during the year have been utilised for the purpose for which it was obtained.
 - xvii. According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we are of the opinion that the Company has not utilised short term funds for long term investments.
 - xviii. During the year, the Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under Section 301 of the Companies Act, 1956.
 - xix. In our opinion and according to the information and explanations given to us, the Company has issued Secured Redeemable Non-Convertible debentures amounting to Rs.9000 Lakhs. The company has created adequate securities and charges in respect of debentures issued during the year.
 - xx. The Company has not raised any money by way of public issue during the year. The details of the Rights Issue of Equity Shares and the utilisation of the proceeds thereof are given in Note 12 of Schedule 19.
 - xxi. In our opinion and according to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the year that causes the financial statements to be materially misstated.
4. Further to our comments referred to in Paragraph 3 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 Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - d. In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the mandatory Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
 - e. On the basis of written representations received from the directors and taken on record by the Board of Directors of the Company, none of the Directors is disqualified as on 31st March, 2008 from being appointed as a Director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act 1956; and
 - f. In our opinion and to the best of our information and according to the explanations given to us, the said accounts, read together with the Significant Accounting Policies and other notes thereon, 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 so far as it relates to the Balance Sheet, of the state of affairs of the Company as at 31st March 2008;
 - ii. In so far as it relates to the Profit and Loss Account, of the Profit of the Company for the year ended on that date; and
 - iii. In so far as it relates to the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

Coimbatore
28th June 2008

For P.N.Raghavendra Rao & Co
Chartered Accountants
P R VITTEL
Partner
Membership No.18111

SAKTHI FINANCE LIMITED

BALANCE SHEET AS AT 31ST MARCH 2008

(Rupees)

	Schedule	As at 31.3.2008	As at 31.3.2007
SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital	1	30,10,69,810	20,07,13,210
Share Application money pending allotment		1,38,91,125	11,46,14,671
Reserves and Surplus	2	24,27,08,880	22,37,37,459
Loan Funds			
Secured Loans	3	1,74,74,37,386	99,19,52,764
Unsecured Loans	4	64,36,15,902	81,86,11,465
Deferred Tax Liability (net)		1,83,19,826	-
Total funds employed		<u>2,96,70,42,929</u>	<u>2,34,96,29,569</u>
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	5	29,93,61,491	20,24,88,810
Less: Accumulated depreciation		11,59,60,618	10,83,97,760
Net Block		18,34,00,873	9,40,91,050
Investments	6	13,93,14,710	15,31,52,945
Deferred Tax Asset (net)		-	1,21,93,355
Current Assets, Loans and Advances			
Stock-on-Hire	7	2,60,22,87,400	2,04,18,08,176
Cash and Bank Balances	8	15,17,47,741	11,97,02,560
Other Current Assets	9	28,58,363	40,88,521
Loans and Advances	10	27,52,72,609	20,16,11,669
SUB TOTAL - (i)		<u>3,03,21,66,113</u>	<u>2,36,72,10,926</u>
Less: (ii) Current Liabilities and Provisions			
Current Liabilities	11	37,34,89,260	26,51,21,011
Provisions	12	1,43,49,507	1,18,97,696
SUB TOTAL - (ii)		<u>38,78,38,767</u>	<u>27,70,18,707</u>
Net Current Assets (i) - (ii)		<u>2,64,43,27,346</u>	<u>2,09,01,92,219</u>
Total assets (Net)		<u>2,96,70,42,929</u>	<u>2,34,96,29,569</u>
Notes on accounts	19		
The Schedules referred to above form an integral part of Balance Sheet			

Subject to our Report of even date
For P.N. Raghavendra Rao & Co
Chartered Accountants

P.R. Vittel
Partner
Membership No.18111

Coimbatore
28th June 2008

S. VENKATESH
Company Secretary

For and on behalf of the Board

M. MANICKAM
Chairman

M. BALASUBRAMANIAM
Vice Chairman and Managing Director

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2008

(Rupees)

	Schedule	2007-08	2006-07
INCOME			
Income from financial operations	13	40,08,30,935	30,50,06,315
Other Income and Receipts	14	2,14,28,053	1,73,61,990
TOTAL - A		<u>42,22,58,988</u>	<u>32,23,68,305</u>
EXPENDITURE			
Interest and financial charges	15	22,05,67,014	16,35,70,240
Staff Salaries and Other benefits	16	5,71,20,288	4,10,37,746
Operating and Administrative expenses	17	6,35,22,131	5,09,50,467
Provisions and write-off (net)	18	89,03,725	96,44,465
Depreciation		81,41,065	75,72,157
TOTAL - B		<u>35,82,54,223</u>	<u>27,27,75,075</u>
PROFIT BEFORE TAX	(A-B)	6,40,04,765	4,95,93,230
Less : Provision for Taxation			
- Current		77,97,340	32,07,882
- Fringe Benefit Tax		7,79,442	8,37,251
- Deferred tax-Current Year		2,31,79,964	1,40,82,633
Deferred tax-Earlier Years	73,33,217		
Less: Transferred from			
Surplus in Profit and Loss account	(73,33,217)	-	-
Net provision for taxation withdrawn - Earlier years		(3,21,731)	(1,70,166)
PROFIT AFTER TAX		3,25,69,750	3,16,35,630
Balance in Profit and Loss account (net of Deferred tax - earlier years)		4,30,47,858	3,65,15,734
Less : Provision for Employee benefits - earlier years		31,72,000	-
Amount available for appropriation		<u>7,24,45,608</u>	<u>6,81,51,364</u>
Appropriations: Special Interim Dividend		-	1,00,35,661
Dividend Tax on Special Interim Dividend		-	14,07,502
Statutory Reserve		65,13,950	63,27,126
Balance Carried to Balance Sheet		<u>6,59,31,658</u>	<u>5,03,81,075</u>
Earnings per share : Basic (Rs.)		1.50	1.57
: Diluted (Rs.)		1.41	1.00

Notes on accounts 19

The Schedules referred to above form an integral part of Profit and Loss account

Subject to our Report of even date

For and on behalf of the Board

For P.N. Raghavendra Rao & Co

Chartered Accountants

P.R. Vittel

Partner

Membership No.18111

Coimbatore

28th June 2008

S. VENKATESH

Company Secretary

M. MANICKAM

Chairman

M. BALASUBRAMANIAM

Vice Chairman and Managing Director

SAKTHI FINANCE LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2008

(Rupees)

	2007 - 08	2006 - 07
A CASH FLOW FROM OPERATING ACTIVITIES		
Profit before tax	6,40,04,765	4,95,93,230
Add: Financial charges	<u>22,05,67,014</u>	<u>16,35,70,240</u>
Depreciation	81,41,065	75,72,157
(Decrease) in diminution in value of investments	(35,900)	(20,00,000)
Increase / (Decrease) in provision against Non performing assets	1,02,657	(1,07,88,187)
Loss / (Profit) on sale of assets	5,33,638	(32,462)
Loss on sale and redemption of long term investments	33,32,960	11,07,143
Interest received	(2,06,88,585)	(1,92,54,616)
Dividend received	(9,20,250)	(8,99,250)
Operating profit before working capital changes	<u>27,50,37,364</u>	<u>18,88,68,255</u>
(Increase) in net stock on hire	(56,04,79,224)	(30,96,94,372)
(Increase) / Decrease in bank deposits	76,25,148	(1,64,23,039)
(Increase) / Decrease in loans and advances	(4,33,85,971)	2,06,12,500
(Increase) / Decrease in other receivables	(4,26,09,448)	25,32,943
Increase in current liabilities	<u>8,36,42,261</u>	<u>7,68,97,119</u>
Cash used in operations	<u>(28,01,69,870)</u>	<u>(3,72,06,594)</u>
Financial charges	(20,03,30,177)	(15,78,47,150)
Direct taxes paid	<u>91,61,785</u>	<u>28,49,019</u>
Net Cash used in Operating Activities (A)	<u>(47,13,38,262)</u>	<u>(19,22,04,725)</u>
B CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(9,80,29,576)	(2,11,93,958)
Sale of fixed Assets	45,050	92,31,610
Purchase of investments	(3,33,23,000)	-
Sale / redemption of Long term investments	4,38,28,275	2,17,87,500
Interest received	2,19,28,098	2,00,25,932
Dividend received	9,20,250	8,99,250
Net Cash used in / from Investing Activities (B)	<u>(6,46,30,903)</u>	<u>3,07,50,334</u>
C CASH FLOW FROM FINANCING ACTIVITIES		
Refund of excess share application money	(3,66,946)	-
Right issue Expenses	(30,93,112)	-
Increase in bank borrowings/other term loans	14,15,79,092	4,97,01,218
Increase in Secured Non convertible debentures	61,39,05,530	14,67,46,920
Increase / (Decrease) in Fixed deposits	(17,49,95,563)	15,55,229
Dividend paid including Corporate Dividend tax	-	(1,14,43,163)
Net cash from Financing Activities (C)	<u>57,70,29,001</u>	<u>18,65,60,204</u>
Net Increase/(Decrease) in Cash and Cash Equivalents(A+B+C)	<u>4,10,59,836</u>	<u>2,51,05,813</u>
Cash and cash equivalents at the beginning of the year	9,68,92,383	7,17,86,570
Cash and cash equivalents at the end of the year	<u>13,79,52,219</u>	<u>9,68,92,383</u>
Components of cash and cash equivalents at the end of the year:		
Cash on hand	2,08,83,741	1,82,18,525
Current accounts with banks	<u>11,70,68,478</u>	<u>7,86,73,858</u>

Subject to our Report of even date

For P.N. Raghavendra Rao & Co

Chartered Accountants

P.R. Vittel

Partner

Membership No. 18111

Coimbatore

28th June 2008

For and on behalf of the Board

M. MANICKAM

Chairman

S. VENKATESH

Company Secretary

M. BALASUBRAMANIAM

Vice Chairman and Managing Director

SCHEDULES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET

(Rupees)

	As at 31.3.2008	As at 31.3.2007
1. SHARE CAPITAL		
AUTHORISED		
4,00,00,000 - Equity Shares of Rs.10 each	40,00,00,000	40,00,00,000
5,00,000 - Redeemable Cumulative Preference Shares of Rs.100 each	5,00,00,000	5,00,00,000
	45,00,00,000	45,00,00,000
 ISSUED, SUBSCRIBED AND PAID-UP		
3,01,06,981 - Equity Shares of Rs.10 each fully paid up (Previous year - 2,00,71,321)	30,10,69,810	20,07,13,210
 2. RESERVES AND SURPLUS		
Capital Reserve	52,61,238	52,61,238
Securities Premium Account:		
As per last Balance Sheet	13,66,60,020	
Less: Share issue expenses written off	30,93,112	13,66,60,020
Statutory Reserve:		
As per last Balance Sheet	3,14,35,126	
Add: Transfer during the year	65,13,950	3,14,35,126
Balance in Profit and Loss account	6,59,31,658	5,03,81,075
	24,27,08,880	22,37,37,459
 3. SECURED LOANS		
Redeemable Non - Convertible Debentures	1,33,84,52,915	72,45,47,385
Term Loans from:		
- Financial Institutions	7,06,68,000	3,20,52,000
- Corporates	15,00,00,000	-
Cash Credits from: Banks	17,46,79,372	23,39,15,922
Loan against pledge of Securities	1,25,00,000	-
Interest accrued and due on Bank Cash Credit	11,37,099	14,37,457
	1,74,74,37,386	99,19,52,764
 4. UNSECURED LOANS		
Fixed Deposits	64,36,15,902	81,86,11,465

SAKTHI FINANCE LIMITED

SCHEDULES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET

5. FIXED ASSETS

(Rupees)

Description	Gross Block				Depreciation				Net Block	
	As at 31.3.2007	Additions	Deductions/ Adjustments	As at 31.3.2008	As at 31.3.2007	For the Year	Withdrawn / Adjustments	As at 31.3.2008	As at 31.3.2008	As at 31.3.2007
Assets on Own use:										
Land	1,10,40,430	21,00,000	-	1,31,40,430	-	-	-	-	1,31,40,430	1,10,40,430
Building - Freehold	2,40,61,920	-	-	2,40,61,920	36,02,903	3,80,257	-	39,83,160	2,00,78,760	2,04,59,017
Building - Leasehold	1,99,93,001	-	-	1,99,93,001	68,47,870	3,12,634	-	71,60,504	1,28,32,497	1,31,45,131
Plant and Machinery	52,51,539	3,04,040	10,500	55,45,079	37,99,459	2,46,658	2,993	40,43,124	15,01,955	14,52,080
Plant - Wind Mill - Unit-I	9,85,06,435	-	-	9,85,06,435	6,05,45,486	52,01,140	-	6,57,46,626	3,27,59,809	3,79,60,949
Plant - Wind Mill - Unit-II*	-	9,04,99,522	-	9,04,99,522	-	26,660	-	26,660	9,04,72,862	-
Furniture, Fitting & Office Equipments	3,54,60,055	51,26,013	90,404	4,04,95,664	293,15,523	15,34,131	18,184	3,08,31,470	96,64,194	61,44,532
Vehicles **	81,75,430	-	10,55,990	71,19,440	42,86,519	4,39,585	5,57,030	41,69,074	29,50,366	38,88,911
Total	20,24,88,810	9,80,29,575	11,56,894	29,93,61,491	10,83,97,760	81,41,065	5,78,207	11,59,60,618	18,34,00,873	9,40,91,050
Previous Year	19,11,33,361	2,11,93,958	98,38,509	20,24,88,810	10,14,64,963	75,72,157	6,39,360	10,83,97,760	9,40,91,050	8,96,68,396

Notes: Assets on own use includes Rs.8,44,000 being the cost of ownership flats in a Co-operative Society in respect of which shares have been allotted under their by-laws in the company's name.

* Borrowing cost of Rs.10,99,522 capitalised during the year.

** Includes Rs.Nil (Previous year - Rs.18,54,719) towards purchase on hire purchase basis.

6. INVESTMENTS (at cost)

Sl. No	Description	Face Value		As at 31.3.2008	As at 31.3.2007
		Number	Per Unit		
Long Term Investments (at Cost)					
Other than Trade					
I. Government Securities #					
a) Quoted					
1	Central Government Stock And State Government Loans (Face value of Rs.4,27,75,000 matured during the year) (Face value of Rs.3,40,00,000 purchased during the year)	11,06,570	100	11,12,92,870	12,40,77,830
	Total - A	11,06,570	100	11,12,92,870	12,40,77,830
b) Unquoted					
2	National Savings Certificates			6,600	6,600
	Total - B			6,600	6,600
II. Equity Shares - Fully Paid up					
a) Quoted					
3	Sakthi Sugars Limited*	5,52,833	10	2,26,09,690	2,26,09,690
4	Sri Bhagavathi Textiles Limited.	5	100	3,625	3,625
5	Sri Chamundeswari Sugars Limited (Bonus shares - 70,000)	1,40,000	10	7,82,625	7,82,625
6	Bannari Amman Sugars Ltd.	10,000	10	7,60,000	7,60,000
7	Chokani International Ltd.	100	10	2,000	2,000
8	Stiles India Ltd.	100	10	2,300	2,300
	Total - C			2,41,60,240	2,41,60,240
Debentures Fully Paid up					
b) Quoted					
9	Surya Roshni Ltd.	10	20	-	200
	Total - D			-	200

SCHEDULES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET

6. INVESTMENTS (at cost) (continued)

(Rupees)

Sl. No	Description	Face Value Number	Per Unit	As at 31.3.2008	As at 31.3.2007
III. Equity Shares - Fully Paid up					
a) Unquoted					
10	ABT Co-operative Stores Ltd.	500	10	5,000	5,000
11	ABT Industries Ltd.	1,50,000	10	15,00,000	15,00,000
12	Sakthi Beverages Ltd.	1,25,000	10	12,50,000	12,50,000
13	Sakthi Soft Drinks Ltd.	30,000	10	3,00,000	3,00,000
14	Tamilnadu Industries Captive Power Company Ltd.	1,02,000	10	-	10,20,000
15	Baroda Power Transmission Ltd.	300	10	-	3,000
16	DCM Toyota Ltd.	50	10	-	2,075
17	Kongarar Textiles Ltd.	600	10	-	27,000
18	K.R.Steel Union Ltd.	100	10	-	1,000
19	PSTS Heavy Lift & Shift Ltd.	30,000	10	3,00,000	3,00,000
b) Subsidiary - Unquoted					
20	Sakthi Properties (Coimbatore) Ltd.	50,000	10	5,00,000	5,00,000
Total - E				38,55,000	49,08,075
Total - (A+B+C+D+E)				13,93,14,710	15,31,52,945
Aggregate Value of Quoted Investments					
Cost				13,54,53,110	14,82,38,270
Market value				13,15,62,343	14,75,18,820
Aggregate Value of Unquoted Investments - At Cost				38,61,600	49,14,675
# Investments made to comply with the requirements of the directives issued by the Reserve Bank of India					
* Partly pledged for a loan availed.					
				As at 31.3.2008	As at 31.3.2007
7. STOCK ON HIRE					
Net investment in Stock on Hire				2,60,06,13,980	2,03,87,22,656
Stock on Hire of assets repossessed				16,73,420	30,85,520
				2,60,22,87,400	2,04,18,08,176
8. CASH AND BANK BALANCES					
Cash on hand				2,08,83,741	1,82,18,525
Balances with Scheduled Banks in					
- Current Accounts				11,70,68,478	7,86,73,858
- Deposit Accounts				1,22,15,191	1,98,40,339
Unpaid Dividend Account				15,80,331	29,69,838
				15,17,47,741	11,97,02,560
9. OTHER CURRENT ASSETS					
Stock of Stationery, Stamps etc (at cost)				1,18,119	1,08,764
Interest accrued on Govt. Securities and Bank deposits				27,40,244	39,79,757
				28,58,363	40,88,521

SAKTHI FINANCE LIMITED

SCHEDULES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET

(Rupees)

	As at 31.3.2008	As at 31.3.2007
10. LOANS AND ADVANCES		
Loans and Advances in the nature of loans	10,85,86,115	6,52,00,144
Other advances and Deposits recoverable in cash or in kind or for value to be received	14,97,87,158	12,03,97,726
Advance payment of Tax (net) - Income tax, Wealth tax, Fringe benefit tax and Interest tax	1,68,99,336	1,60,13,799
	27,52,72,609	20,16,11,669
11. CURRENT LIABILITIES		
Sundry Creditors:		
– For Expenses	1,00,34,774	55,19,507
– For Others	24,31,21,798	15,91,24,004
Unclaimed dividend	15,80,331	29,69,838
Interest accrued but not due	11,87,52,357	9,75,07,662
	37,34,89,260	26,51,21,011
12. PROVISIONS		
For Income tax and Fringe Benefit Tax (net)	12,85,968	13,07,165
For Non-performing assets	1,06,53,188	1,05,50,531
For Investments	4,100	40,000
For employee benefits - earlier years (net)	24,06,251	-
	1,43,49,507	1,18,97,696

SCHEDULES ANNEXED TO AND FORMING PART OF THE PROFIT AND LOSS ACCOUNT

	2007-08	2006-07
13. INCOME FROM FINANCIAL OPERATIONS		
Income from hire purchase operations	33,01,28,364	25,09,57,089
Interest on loans and Other receipts	1,10,27,127	74,37,736
Dividend from long term Investments	9,20,250	8,99,250
Interest from long term Investments	96,61,458	1,18,16,880
Income from sell-down receivables	3,85,85,068	2,89,19,254
Bad debts recovery	1,05,08,668	49,76,106
	40,08,30,935	30,50,06,315
14. OTHER INCOME AND RECEIPTS		
Profit on Sale/Redemption of long term Investments	-	3,03,000
Profit on Sale of Assets	29,750	72,402
Sale of Electricity	81,11,672	1,01,08,821
Miscellaneous Income	1,32,86,631	68,77,767
	2,14,28,053	1,73,61,990

SCHEDULES ANNEXED TO AND FORMING PART OF THE PROFIT AND LOSS ACCOUNT

(Rupees)

	2007-08	2006-07
15. INTEREST AND FINANCIAL CHARGES		
Interest on:		
– Non- Convertible Debentures	11,50,00,907	5,92,76,388
– Fixed Deposits	6,44,23,295	7,47,20,304
– Loans from Banks / Financial Institutions	3,81,08,233	2,74,55,823
Bank Charges	28,94,804	19,86,797
Other Financial Charges	1,39,775	1,30,928
	<u>22,05,67,014</u>	<u>16,35,70,240</u>
16. STAFF SALARIES AND OTHER BENEFITS		
Salary, Bonus and Gratuity	4,79,14,716	3,48,83,726
Contribution to Provident and other Funds	25,37,898	21,76,737
Employees Welfare Expenses	66,67,674	39,77,283
	<u>5,71,20,288</u>	<u>4,10,37,746</u>
17. OPERATING AND ADMINISTRATIVE EXPENSES		
Rent	26,33,168	26,63,975
Rates and Taxes	19,67,663	23,82,315
Communication	33,58,562	30,96,069
Insurance	7,45,280	8,73,153
Travelling and Conveyance	1,07,72,538	95,79,286
Printing and Stationery	25,68,404	20,17,481
Power and Fuel	17,20,377	17,47,247
Advertisements	27,41,772	15,18,179
Resources mobilisation Expenses	1,79,33,397	1,03,32,254
Legal and Professional Charges	39,74,772	40,11,425
Repairs and Maintenance on:		
– Buildings	22,62,458	31,66,979
– Machinery	27,42,352	19,50,949
– Other Assets	52,25,638	47,05,066
Filing Fees	2,54,083	2,16,905
Directors' Sitting Fees	96,000	58,000
Managing Director's Remuneration	17,76,690	13,73,350
Miscellaneous Expenses	27,48,977	12,57,834
	<u>6,35,22,131</u>	<u>5,09,50,467</u>
18. PROVISIONS AND WRITE-OFF (NET)		
Provision for non-performing assets	60,10,618	57,89,934
Bad debts written off	57,67,961	2,22,09,198
Loss on Sale of Assets	5,63,388	39,940
Loss on Sale/Redemption of long term Investments	33,32,960	14,10,142
Less: Withdrawn – no longer required		
Provision for investments	35,900	20,00,000
Provision for non-performing assets	67,35,302	1,78,04,749
	<u>89,03,725</u>	<u>96,44,465</u>

SCHEDULE - 19

NOTES ON ACCOUNTS

1.0 SIGNIFICANT ACCOUNTING POLICIES

1.1 ACCOUNTING CONVENTION

The financial statements are prepared under the historical cost convention on accrual basis of accounting and comply with the mandatory Accounting Standards issued by The Institute of Chartered Accountants of India, the relevant provisions of the Companies Act 1956 and the guidelines issued by the Reserve Bank of India applicable to Non-Banking Financial Companies.

1.2 USE OF ESTIMATES

The preparation of financial statements in conformity with the generally accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of financial statements and the results of operations during the reporting period end.

1.3 FIXED ASSETS

Fixed assets are stated at historical cost less accumulated depreciation.

1.4 DEPRECIATION

- a) Depreciation on assets on own use is provided for, on straight line method by adopting the rates as prescribed under Schedule XIV to the Companies Act 1956.
- b) For assets under own use acquired during the current year costing Rs.5,000 each or below, full depreciation has been provided for irrespective of the period of use.

1.5 REVENUE RECOGNITION

The prudential norms for Income Recognition and Provisioning for Non-performing assets as prescribed by the Reserve Bank of India for Non - Banking Financial Companies have been followed.

- 1) Accordingly, revenue recognition has been considered in the accounts on accrual basis only on those assets classified as standard assets as stated below:
 - a) Hire purchase finance charges are recognized as income under the internal rate of return method.
 - b) Interest on advances by way of loans are accounted for, to the extent accrued during the year.
- 2) Income from Investments by way of dividend is recognised when the right to receive payment is established.
- 3) Income by way of interest on Government securities is recognised on time proportion basis taking into account the amount outstanding and the rate applicable.
- 4) In respect of sell down of receivables, the difference between the book value of the assets and the sale consideration, after netting of incidental expenses incurred is recognized as revenue.
- 5) Income from power generation is recognized as per the Power Purchase Agreements with State Electricity Board and on supply of power to the grid.

1.6 INVESTMENTS

Long term investments are carried at cost. Provision for diminution in value is made to recognize a decline, other than temporary, in the value of investments.

1.7 BORROWING COSTS

Borrowing costs attributable to the acquisition or construction of qualifying assets as defined in AS-16 on "Borrowing Costs" are capitalized as part of the cost of such asset to the date when the asset is ready for its intended use.

1.8 RETIREMENT BENEFITS (Also refer Note 7.0 of Schedule-19)**I. DEFINED CONTRIBUTION PLANS****PROVIDENT FUND (PF)**

Contributions are made periodically to the PF Commissioner, under the Employees Provident Fund Scheme, in accordance with the provisions of PF and Miscellaneous Provisions Act. The Company does not have any obligation other than the stipulated periodical contribution to the Provident Fund. The obligations to make a fixed and determinable amount of contributions are recognised as an expense in the year incurred.

II. DEFINED BENEFIT PLANS**A. GRATUITY**

The Company makes annual contributions to a Fund administered by Trustees and managed by Life Insurance Corporation of India (LIC). The Company accounts its liability for gratuity benefits based on actuarial valuation, as at the Balance Sheet date, determined every year by LIC. The Company, in addition, also ascertains the appropriateness of the obligations under Gratuity by taking an independent actuarial valuation.

B. LEAVE ENCASHMENT ON SUPERANNUATION

In terms of leave benefit policy adopted by the Company, the participating employees are permitted, subject to certain customary precautions, to avail of Sick Leave on fully-paid basis annually. The participating employees are also allowed to carry forward the unavailed Sick Leave benefits up to an extent until Superannuation, when the accumulated sick leave can be encashed. The obligations under Sick Leave Encashment facility are determined through an independent actuarial valuation.

III. OTHER BENEFITS

Other benefits made available to employees include contributions made by the Company under (a) ESI Scheme, (b) Employees Deposit Linked Insurance, (c) Group Personal Accident Insurance and (d) Group Mediclaim benefits. Obligations under these benefits which are in the nature of staff welfare are recognized as expense in the year in which they arise.

1.9 TAXES ON INCOME

Current tax is the amount of tax payable on the taxable income for the year and determined in accordance with the provisions of the Income Tax Act 1961.

Deferred tax is recognised, on timing differences, being the difference between taxable income and accounting income that originates in one period and are capable of being reversed in one or more subsequent periods.

Deferred tax assets in respect of unabsorbed depreciation and carry forward losses are recognised if there is a virtual certainty that there will be sufficient future taxable income available to realise such losses. Other deferred tax assets are recognised if there is reasonable certainty that there will be sufficient future taxable income available to realise such assets.

1.10 STOCK ON HIRE

Stock on hire under Hire purchase agreements are stated at agreement value less instalments received.

1.11 PROVISION AS PER RBI NORMS

Provision for non-performing assets, doubtful debts, loans and advances have been made as per the Non-Banking Financial Companies Prudential Norms (Reserve Bank of India) Directions 2007.

SAKTHI FINANCE LIMITED

2.0 BALANCE SHEET

2.1 SHARE CAPITAL

Issued, Subscribed and Paid-up capital includes 1,00,35,660 equity shares of Rs.10 each for cash issued at par on rights basis allotted during the year.

2.2 RESERVES AND SURPLUS

A Statutory Reserve as per the requirements of Section 45IC of the Reserve Bank of India Act 1934 has been created at 20% of the profits after tax available for appropriation.

2.3 SECURITIES PREMIUM ACCOUNT

Expenses relating to Rights Issue of shares are written off against the Securities premium account.

2.4 SECURED LOANS

- a) 295 Secured Redeemable Non-Convertible Debentures of the face value of Rs. 1,000 each and 1,33,81,57,915 Secured Redeemable Non-Convertible Debentures of the face value of Re.1 each issued and redeemable at par are secured by specified Hire Purchase receivables and immovable properties; the earliest date of redemption is reckoned at 12 to 36 months from the date of first allotment for each series.
- b) Term Loan from Small Industries Development Bank of India is secured by hypothecation of specified hire purchase receivables and by collateral security of a building and further guaranteed by two directors of the company. Amount outstanding : Rs.1,66,68,000 (Sanctioned limit : Rs. 5,00,00,000).
- c) Term Loan from The Tamilnadu Industrial Investment Corporation Limited is secured by mortgage of immovable properties consisting of land and buildings and Three Wind Electric Generators purchased and commissioned during the year. Further, the loan is also guaranteed by two directors of the company. Amount availed and outstanding: Rs.5,40,00,000 (Sanctioned limit : Rs. 6,75,00,000).
- d) Term Loan from a Corporate is secured by hypothecation of specified hire purchase assets and further guaranteed by two directors of the company. Amount outstanding: Rs.15,00,00,000 (Sanctioned limit : Rs.15,00,00,000).
- e) Loans from Scheduled Banks are secured by hypothecation of specified hire purchase receivables, the related book debts and personal guarantee of directors. Amount availed and outstanding: Rs. 17,46,79,372 (Sanctioned limit : Rs. 31,30,00,000).
- f) Loan against shares is taken by pledging the investment in shares of the Company. Amount outstanding: Rs.1,25,00,000 (Sanctioned limit : Rs. 1,25,00,000).

2.5 INVESTMENTS

In accordance with the Reserve Bank of India Circular no. RBI/2006-2007/225/DNBS(PD) C.C No.87/03.02.004/2006-07 dated 4th January 2007, the Company has during the year, created a floating charge on the statutory liquid assets in favour of trustees representing the fixed deposit holders of the company.

2.6 DEFERRED TAX

The break-up of deferred tax asset and liability is as under:

	As at	(Rupees)
	31.3.2008	As at 31.3.2007
Deferred Tax Asset		
Brought forward losses	1,24,31,094	2,85,29,037
Provision for non-performing assets	36,22,412	31,54,435
	1,60,53,506	3,16,83,472
Deferred Tax Liability		
Depreciation	3,43,73,332	1,94,90,117
Deferred Tax (Liability)/ Asset (net)	(1,83,19,826)	1,21,93,355

2.7 CURRENT ASSETS

As per Accounting Standard (AS-19) on Lease, the details of hire purchase receivables as on 31st March 2008 for the contracts executed on or after 1st April 2001 are given below.

a) Maturity pattern of Hire Purchase Receivables:

Particulars	Rupees	
	Gross	Net
Less than one year	146,02,57,246	116,03,00,880
Later than one year and not later than 5 years	163,71,04,214	144,19,86,520
Later than 5 years	-	-
Total	309,73,61,460	260,22,87,400

b) Maturity pattern of Hire Purchase payable:

Particulars	Rupees	
	Principal	Interest
Less than one year	7,09,176	64,700
Later than one year and not later than 5 years	4,33,427	11,819
Later than 5 years	-	-
Total	11,42,603	76,519

c) Balance with Scheduled Banks in deposit accounts include **Rs.6,12,500** (Rs.1,12,500) pledged with the Tax Authorities and under lien to a Bank.

d) Bank deposits of **Rs.1,15,94,941** (Rs.1,06,24,670) are under lien towards managed business.

2.8 LOANS AND ADVANCES

i) Loans and Advances include:

a) Loans considered good in respect of which the Company is fully secured: **Rs.2,34,91,249** (Rs. 3,86,90,671).

b) Loans considered good and unsecured in respect of which the Company holds no security other than the debtors' personal security: **Rs.8,40,30,377** (Rs.1,90,09,473).

c) Loans considered as bad and doubtful: **Rs.10,64,489** (Rs. 75,00,000) for which provision has been made.

d) Amount due from wholly owned subsidiary: **Rs.2,03,51,100** (Rs.2,01,54,648).

2.9 CURRENT LIABILITIES

a) There is no amount due to be transferred to Investor Education and Protection Fund as on 31st March 2008.

b) The Company has not received any intimation from "suppliers" regarding their status as Small Scale Industrial Undertakings. As such, disclosures, if any, relating to the dues to them have not been given.

c) Micro Small and Medium Enterprises Development Act 2006 : The Company has not received any intimation from "suppliers" regarding their status under the Micro Small and Medium Enterprises Development Act 2006, hence, disclosures, if any, relating to the amounts unpaid as at 31st March 2008 together with interest paid/payable as required under the said Act have not been given.

3.0 PROFIT AND LOSS ACCOUNT

3.1 Income-tax deducted at source on interest **Rs.12,77,060** (Rs. 5,87,388) and on other receipts **Rs.3,59,511** (Rs. 3,01,488)

SAKTHI FINANCE LIMITED

3.2 Computation of Commission to Managing Director under section 349 of the Companies Act 1956. (Rupees)

Profit before Tax as per Profit and Loss Account	6,40,04,765	
Add : Depreciation as per books	81,41,065	
Loss on sale of investment	33,32,960	
Provision against Non performing assets	60,10,618	
Directors sitting fees	96,000	
Managing Director's remuneration	10,92,192	
Commission to Managing Director	6,84,498	1,93,57,333
		8,33,62,098
Less : Depreciation as per Section 350 of the Companies Act 1956	81,41,065	
Provision no longer required written back	67,71,202	1,49,12,267
Adjusted Net Profit		6,84,49,831
Commission payable at 1%		6,84,498

3.3 Remuneration to Managing Director

Particulars	2007-08	2006-07
Salary	6,00,000	6,00,000
Provident Fund contribution	72,000	72,000
Perquisites	4,20,192	3,20,181
Commission	6,84,498	3,81,169
Total	17,76,690	13,73,350

3.4 Miscellaneous expenses include remuneration to Auditors towards:

Statutory Audit	1,00,000	1,12,240
Tax Audit	30,000	50,000
Taxation, Management services, certification etc	2,06,500	1,12,548
Reimbursement of travelling expenses	3,33,649	49,926
Total	6,70,149	3,24,714

4.0 CONTINGENT LIABILITIES

Collaterals given to a financial institution	-	55,28,000
Income Tax and Interest Tax issues pending before appellate authorities	35,49,221	-

5.0 EXPENDITURE IN FOREIGN CURRENCY (on payment basis)

Travelling	3,73,376	7,40,028
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6.0 QUANTITATIVE DETAILS OF POWER GENERATION

Licensed capacity	Not applicable	Not applicable
Installed capacity*	4550 KWH	2750 KWH
Units generated	30,84,698	39,31,556
Units sold	30,17,746	38,73,440
Sale value (Rupees)	81,11,672	1,01,08,821

* Installed capacity is as certified by the management and the auditors' have placed reliance on it, this being a technical matter.

7.0 Disclosure requirements under AS- 15 – Employee Benefits

Disclosures relating to the AS -15 on “Employee Benefits” for the year ended 31st March 2008 are furnished below: (Rupees)

Sl. No.	Particulars	Gratuity	Sick Leave
I	Principal Actuarial Assumptions (Expressed as weighted averages)		
	Discount rate	8.00%	8.00%
	Salary Escalation rate	3.52%	3.52%
	Attrition rate	18.01%	18.01%
	Expected rate of return on Plan Assets	8.00%	8.00%
II	Changes in the present value of the obligation (PVO) – Reconciliation of Opening and closing balances		
	PVO at the beginning of the period	49,46,000	13,02,000
	Interest cost	-	1,01,000
	Current service cost	5,56,000	3,56,000
	Past service cost – (non-vested benefits)	-	-
	Past service cost – (vested benefits)	-	-
	Benefits paid	(5,16,000)	(71,000)
	Actuarial loss / (gain) on obligation	10,20,000	(1,92,000)
	PVO as at the end of the period	60,06,000	14,96,000
III	Changes in the fair value of plan assets: Reconciliation of Opening and Closing balances		
	Fair value of plan Assets at the beginning of the period	30,76,000	-
	Expected return on plan assets	2,44,000	15,000
	Contributions	4,67,000	4,56,000
	Benefits paid	(5,16,000)	(71,000)
	Actuarial loss / (gain) on plan assets	2,04,000	5,000
	Fair value of Plan Assets as at the end of the period	34,75,000	4,05,000
IV	Actual Return on Plan Assets		
	Expected return on plan assets	2,44,000	15,000
	Actuarial gain (loss) on plan assets	2,04,000	5,000
	Actual return on plan assets	4,48,000	20,000
V	Actuarial Gain / Loss recognised		
	Actuarial gain / (loss) for the period– Obligation	(10,20,000)	1,92,000
	Actuarial gain / (loss) for the period– Plan Assets	2,04,000	5,000
	Total (gain) / loss for the period	8,16,000	(1,97,000)
	Actuarial (gain) / loss recognized in the period	8,16,000	(1,97,000)
	Unrecognised actuarial (gain) / loss at the end of the year	-	-

SAKTHI FINANCE LIMITED

(Rupees)

SI No	Particulars	Gratuity	Sick Leave
VI	Amounts recognized in the Balance Sheet and related Analyses		
	Present value of the obligation	60,06,000	14,96,000
	Fair value of Plan Assets	34,75,000	4,05,000
	Difference	25,31,000	10,91,000
	Unrecognised transitional liability	-	-
	Unrecognised past service cost – non vested benefits	-	-
	Liability recognized in the Balance Sheet	25,31,000	10,91,000
VII	Expenses recognized in the statement of Profit and Loss		
	Current service cost	5,56,000	3,56,000
	Interest cost	-	1,01,000
	Expected return on plan assets	(244,000)	(15,000)
	Actuarial (gain)/loss recognized in the year	8,16,000	(1,97,000)
	Transitional liability recognized in the year	-	-
	Past service cost – (non-vested benefits)	-	-
	Past service cost – (vested benefits)	-	-
	Expenses recognized in the statement of Profit and Loss	11,28,000	2,45,000
VIII	Movements in the liability recognized in the Balance Sheet		
	Opening net liability	18,70,000	13,02,000
	Expenses as above	11,28,000	2,45,000
	Contributions paid	(4,67,000)	(4,56,000)
	Closing net liability	25,31,000	10,91,000
IX	Amount for the current period		
	Present value of obligations	60,06,000	14,96,000
	Plan Assets	34,75,000	4,05,000
	Surplus / (Deficit)	(25,31,000)	(10,91,000)
	Experience adjustments on plan liabilities – (loss) / gain	(10,20,000)	1,92,000
	Experience adjustments on plan assets – (loss) / gain	2,04,000	5,000
X	Major categories of plan assets		
	Fund managed by insurer	100%	100%
XI	Enterprise's best estimate of contribution during next year	4,70,000	2,72,000

As this is the first year of adoption of revised Accounting Standard 15 (AS-15) on Employee Benefits, only current year figures have been given.

8.0 Segment Reporting

The Company is primarily engaged in the business of asset finance. All the activities of the Company revolve around the main business. As such there are no reportable segments as per AS - 17 on "Segment Reporting" issued by The Institute of Chartered Accountants of India.

9.0 Related Party Disclosures for the year ended 31st March 2008

Relationships

A	Subsidiary	Sakthi Properties (Coimbatore) Ltd
B	Enterprises in which the key management personnel and their relatives have significant influence	ABT Ltd ABT Industries Ltd Sakthi Beverages Ltd. Sakthi Financial Services Ltd. Sakthi Logistic Services Ltd. Sakthi Sugars Ltd. Sri Bhagavathi Textiles Ltd. Sri Chamundeswari Sugars Ltd. Sri Sakthi Textiles Ltd. The Gounder and Company Auto Ltd. N Mahalingam & Co ARC Retreading Co. Pvt. Ltd. Nachimuthu Industrial Association
C	Key Management Personnel	Sri M Balasubramaniam, Vice Chairman and Managing Director
D	Relatives of Key Management Personnel	Dr N Mahalingam, Father Sri M Manickam, Brother Sri M Srinivaasan, Brother Smt Vinodhini Balasubramaniam, Wife

Transactions with the subsidiary Company

(Rupees)

Particulars	2007-08	2006-07
Rendering of services	1,92,000	1,92,000
Balance at the end of the year : Current account	2,03,51,100	2,01,54,648

Transactions during the year with enterprises in which the key management personnel and their relatives have a significant influence

Purchase of fuel	15,26,260	9,05,004
Repairing of vehicles	78,352	61,287
Rent received	15,53,520	15,53,520
Rent paid	4,03,860	3,51,660
Resources mobilisation charges	1,37,42,509	79,42,035
Printing Charges	11,39,850	4,14,900
Finance charges and Interest	81,06,770	88,56,647
Balance at the end of the year: Collaterals given	-	55,28,000

SAKTHI FINANCE LIMITED

Transactions with the Key Management personnel and their relatives (Rupees)

Particulars	2007-08	2006-07
Remuneration	10,92,192	9,92,181
Commission	6,84,498	3,81,169
Sitting Fees	36,000	18,000

10.0 Earnings per share

Profit after Tax	3,25,69,750	3,16,35,630
Weighted average number of equity shares	2,17,71,351	2,00,71,321
The nominal value per equity share (Rs)	10	10
Earnings per Share – Basic (Rs)	1.50	1.57
– Diluted (Rs)	1.41	1.00

11.0 Disclosure as required under Clause 32 of the Listing Agreement: Amount of loans / advances in the nature of loans outstanding from subsidiaries and associates for the year ended 31st March 2008

Name of the Company	Outstanding as on 31.3.2008	Maximum amount outstanding during the year	Investment in shares of the company	Investment in shares of subsidiary of the company
	Rupees	Rupees	No. of shares	No. of shares
a Subsidiary				
Sakthi Properties (Coimbatore) Ltd	2,03,51,100	2,03,51,100	—	—
b Associates				
ABT Ltd	1,41,97,246	1,96,08,485	87,27,400	—
ABT Industries Ltd	11,87,674	1,12,36,881	9,19,926	—
Sri Bhagavathi Textiles Ltd	1,15,32,002	2,79,67,340	—	—
Sakthi Financial Services Ltd	12,10,411	36,80,843	33,87,195	—
Sri Sakthi Textiles Ltd	1,36,28,782	1,79,99,296	7,000	—
Sakthi Financial Services (Cochin) P. Ltd.	30,07,342	82,01,098	18,61,336	—

12.0 During the year the Company made a rights issue of 1,00,35,660 equity shares of Rs 10 each for cash at par aggregating to Rs 1003.57 lakhs to the shareholders in the ratio of one equity share for every two equity shares held on the record date, i.e.31st October 2007. The allotment was completed on 30th January 2008. The utilisation of the rights issue proceeds as against the objectives stated in the Letter of Offer is given below:

Particulars	As stated in the Letter of Offer	Utilisation
Augmenting the capital base to meet fund requirements	9,53,56,600	9,72,63,488
Issue expenses	50,00,000	30,93,112
Total	10,03,56,600	10,03,56,600

13.0 Disclosure as required in terms of paragraph 13 of Non-Banking Financial (Deposit accepting or holding) Companies Prudential Norms (Reserve Bank) Directions 2007

Sl. No.	Particulars	Amount Outstanding	Amount overdue
		(Rupees)	(Rupees)
(1)	LIABILITIES SIDE		
	Loans and advances availed by the NBFCs inclusive of interest accrued thereon but not paid		
(a)	Debentures: – Secured	1,40,46,49,016	–
	– Unsecured	–	–
(b)	Deferred Credits	–	–
(c)	Term Loans - (Bank cash credit)	24,65,76,684	–
(d)	Inter-Corporate Loans and Borrowings	16,25,00,000	–
(e)	Commercial Paper	–	–
(f)	Public Deposits	69,60,79,945	2,65,02,430 [#]
(g)	Other Loans	–	–
(2)	Break-up of (1)(f) above (outstanding public deposits inclusive of interest accrued thereon but not paid)		
(a)	In the form of unsecured debentures	–	–
(b)	In the form of partly secured debentures i.e. debentures where there is a shortfall in the value of security	–	–
(c)	Other Public deposits	69,60,79,945	2,65,02,430 [#]
	<small># represents unclaimed deposits</small>		
(3)	ASSETS SIDE		Amount Outstanding
	Break-up of Loans and Advances including bills receivables (Other than those included in (4) below)		
(a)	Secured		8,93,24,650
(b)	Unsecured		16,90,48,623
(4)	Break-up of Leased Assets and Stock on Hire and Hypothecation Loans counting towards AFC activities		
(i)	Leased Assets including lease rentals under Sundry Debtors		
	(a) Financial Lease		–
	(b) Operational Lease		–
(ii)	Assets on Hire including Hire charges under Sundry Debtors		
	(a) Assets on Hire		2,60,06,13,980
	(b) Repossessed Assets		16,73,420
(iii)	Hypothecation Loans counting towards AFC Activities		
	(a) Loans where assets have been repossessed		–
	(b) Loans other than the above		–
(5)	Break-up of Investments		
	Current Investments:		
	(1) Quoted		
	(i) Shares: (a) Equity		–
	(b) Preference		–
	(ii) Debentures and Bonds		–
	(iii) Units of Mutual Funds		–
	(iv) Government Securities		–
	(v) Others		–

SAKTHI FINANCE LIMITED

				(Rupees)
Sl. No.	Particulars	Amount Outstanding	Market Value	
(5)	(2) Unquoted (i) Shares: (a) Equity (b) Preference (ii) Debentures and Bonds (iii) Units of Mutual Funds (iv) Government Securities (v) Others Long Term Investments: 1. Quoted (i) Shares: (a) Equity (b) Preference (ii) Debentures and Bonds (iii) Units of Mutual Funds (iv) Government Securities (v) Others 2. Unquoted (i) Shares: (a) Equity (b) Preference (ii) Debentures and Bonds (iii) Units of Mutual Funds (iv) Government Securities (v) Others	2,41,60,240 — — — 11,12,92,870 — 38,55,000 — — — 6,600 —	— — — — — — 2,35,10,840 — — — 10,80,51,503 — 38,55,000 — — — — 6,600 —	
(6)	Borrower group-wise classification of all Assets financed as in (3) and (4) above			
	Category	Amount net of provisions		
		Secured	Unsecured	Total
(1)	Related Parties (a) Subsidiaries (b) Companies in the same group (c) Other related parties	— — 3,87,48,990	2,03,51,100 — 60,14,467	2,03,51,100 — 4,47,63,457
(2)	Other than related parties	2,64,32,74,361	14,16,18,567	2,78,48,92,928
	Total	2,68,20,23,351	16,79,84,134	2,85,00,07,485
(7)	Investor group-wise classification of all Investments (Current and Long term) in shares and securities (both quoted and unquoted)			
	Category	Market Value / Break up or fair value or NAV		Book value (Net of provisions)
(1)	Related Parties (a) Subsidiaries (b) Companies in the same group (c) Other related parties	5,00,000 — 2,61,45,940		5,00,000 — 2,61,45,940
(2)	Other than related parties	11,26,64,670		12,65,07,005
	Total	13,93,10,610		15,31,52,945
(8)	Other Information			
(1)	Gross non-performing Assets (a) Related parties (b) Other than related parties			— — 2,19,15,897
(2)	Net Non-Performing Assets (a) Related parties (b) Other than related parties			— — 1,12,62,709
(3)	Assets acquired in satisfaction of debt			—

14.0 BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. Registration Details:

Registration No.	:	L65910TZ1955PLC000145
State Code	:	181
Balance Sheet Date	:	31.3.2008

**II. Capital raised during the year
(Amount in Rupees)**

Public Issue	:	Nil
Rights Issue	:	10,03,56,600
Bonus Issue	:	Nil
Private placement	:	Nil

**III. Position of Mobilisation and Deployment
of Funds (Amount in Rupees)**

Total Liabilities	:	3,35,48,81,696
Total Assets	:	3,35,48,81,696

Sources of Funds:

Paid up Capital and share application money	:	31,49,60,935
Reserves and Surplus	:	24,27,08,880
Secured Loans	:	1,74,74,37,386
Unsecured Loans	:	64,36,15,902
Deferred tax liability (net)	:	1,83,19,826
Current Liabilities	:	38,78,38,767

Application of Funds:

Net Fixed Assets	:	18,34,00,873
Investments	:	13,93,14,710
Current Assets	:	3,03,21,66,113

**IV. Performance of the Company
(Amount in Rupees)**

Turnover	:	42,22,58,988
Total Expenditure	:	35,82,54,223
Profit before Tax	:	6,40,04,765
Profit after Tax	:	3,25,69,750
Earnings per share (Rs.)	:	1.50
Dividend Rate (%)	:	Nil

**V. Generic Names of Three Principal products/
Services of the Company (as per monetary terms)**

Item Code	:	Not Applicable
Product Description	:	Deposit taking Asset Finance Company

15.0 Previous year's figures have been rearranged / reclassified / regrouped wherever necessary to conform to current year's presentation.

Subject to our Report of even date
For P.N. Raghavendra Rao & Co
Chartered Accountants

Signatories to Schedules 1 to 19
For and on behalf of the Board

P.R. Vittel

Partner
Membership No. 18111

M. MANICKAM

Chairman

Coimbatore
28th June 2008

S. VENKATESH
Company Secretary

M. BALASUBRAMANIAM
Vice Chairman and Managing Director

SAKTHI FINANCE LIMITED**Statement pursuant to Section 212 of the Companies Act 1956 relating to subsidiary company**

1	Name of the Company	Sakthi Properties (Coimbatore) Ltd
2	Financial year of the subsidiary ended on	31st March 2008
3	Shares of the subsidiary held by the Company on the above date	
	a) Number and face value	50,000 Equity shares of Rs 10 each
	b) Extent of shareholding	100%
4	Net aggregate amount of the profits/ (losses) of the subsidiary not dealt with in the holding company's accounts	
	a) For the financial year of the subsidiary company	(Rs 31,39,429)
	b) For the previous financial years of the subsidiary company	(Rs 1,24,14,940)
5	Net aggregate amount of the profits/(losses) of the subsidiary dealt with in the holding company's accounts	
	a) For the financial year of the subsidiary company	Nil
	b) For the previous financial years of the subsidiary company	Nil

For and on behalf of the Board

M. MANICKAM
ChairmanCoimbatore
28th June 2008**S. VENKATESH**
Company Secretary**M. BALASUBRAMANIAM**
Vice Chairman and Managing Director

DIRECTORS' REPORT

To the Members

Your Directors have pleasure in presenting their Seventh Annual Report together with the audited accounts of the Company for the year ended 31st March 2008.

WORKING RESULTS

The Company incurred a loss of Rs.35,19,390 for the year ended 31st March 2008.

BUSINESS

The Company's properties are let out for commercial purpose. One of the properties at Chennai was sold after the financial year.

DEPOSITS

The Company has not invited any deposits from the public.

DIRECTORS

Sri.M Balasubramaniam, Director retire by rotation at the ensuing Annual General Meeting and is eligible for reappointment.

AUDITORS

M/s P N Raghavendra Rao & Co, Chartered Accountants, Coimbatore retire at the conclusion of the ensuing Annual General Meeting and are eligible for reappointment. A certificate under Section 224(1B) has been obtained from them.

PARTICULARS REQUIRED UNDER SECTION 217 OF THE COMPANIES ACT 1956

The particulars required to be given in terms of Section 217(1)(e) of the Companies Act 1956 regarding conservation of energy, technology absorption and foreign exchange earnings and outgo are not applicable to your company. The company has no employee drawing remuneration more than the limits prescribed under Section 217 (2A) of the Companies Act 1956.

DIRECTORS' RESPONSIBILITY STATEMENT

As required under Section 217(2AA) of the Companies Act 1956, your directors confirm, to the best of their knowledge and belief, that:

- a. in the preparation of the annual accounts, the applicable accounting standards had been followed;
- b. the directors had selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the loss of the company for the financial year;
- c. the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- d. the directors had prepared the annual accounts on a going concern basis.

ACKNOWLEDGEMENT

Your Directors wish to place on record the valuable assistance and co-operation extended by the government and debentureholders.

We pray the Goddess SAKTHI to continue to shower Her blessings and to guide us in all our endeavors.

For and on behalf of the Board

M. BALASUBRAMANIAM
Chairman

Coimbatore
28th June 2008

AUDITORS' REPORT

To the Members of the Company

1. We have audited the attached Balance Sheet of Sakthi Properties (Coimbatore) Limited as at 31st March 2008 and also the Profit and Loss Account for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order 2003 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we give below a statement on the matters specified in paragraphs 4 and 5 of the said Order.
 - i. In respect of its fixed assets:
 - a. The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets on the basis of available information.
 - b. As explained to us, the fixed assets have been physically verified by the management during the year in a phased periodical manner, which in our opinion is reasonable, having regard to the size of the Company and nature of its assets. No material discrepancies were noticed on such physical verification.
 - c. In our opinion, the Company has not disposed of substantial part of fixed assets during the year.
 - ii. The company does not hold any inventories and therefore Clause 4 (ii) of the Companies (Auditor's Report) Order 2003 is not applicable.
 - iii.
 - a. The company has not granted any loans, secured or unsecured, to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.
 - b. The company has not taken any loans, secured or unsecured, from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.
 - iv. During the year, the company has not purchased or sold any goods and hence commenting on the internal control procedures in this regard does not arise.
 - v.
 - a. The Company has not entered into any contract or arrangement that need to be entered into the register required to be maintained under Section 301 of the Companies Act 1956.
 - b. Since the Company has not entered into any contract or arrangement referred to in Section 301 of the Companies Act 1956, Clause 4(v)(b) of the Order is not applicable.
 - vi. The Company has not accepted deposits from the public.
 - vii. The reporting on the internal audit system is not applicable to the company.
 - viii. The Central Government has not prescribed the maintenance of any Cost Records under Section 209 (1)(d) of the Companies Act, 1956.
 - ix. The company is regular in depositing income tax dues and depositing of other statutory dues is not applicable to the company.
 - x. The accumulated losses of the company at the end of the year are more than fifty percent of its net worth. The company has not incurred cash loss during this financial year. However the company has incurred cash loss in the preceding financial year.
 - xi. The company has not defaulted in repayment of dues to the debenture holders during the year.

- xii. In our opinion and according to the information and explanations given to us, the company has not granted any loans on the basis of security by way of pledge of shares, debentures and other securities.
 - xiii. In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund/society. Therefore, clause 4(xiii) of the Companies (Auditor's Report) Order 2003 is not applicable to the Company.
 - xiv. According to the information and explanations given to us, the company is not dealing in shares, securities, debentures and other investments.
 - xv. According to the information and explanations given to us, the company has not given any guarantee for loans taken by others from banks or financial institutions during the year.
 - xvi. According to the information and explanations given to us, the company has not obtained any term loans during the year.
 - xvii. According to the information and explanations given to us and on an overall examination of the Balance Sheet of the company, we are of the opinion that the company has not utilised short term funds for long term investment.
 - xviii. During the year, the Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under Section 301 of the Companies Act, 1956.
 - xix. In our opinion and according to the information and explanations given to us, the Company has issued Secured Redeemable Non Convertible Debentures amounting to Rs.287.19 Lakhs. The company has created adequate securities and charges in respect of debentures issued during the year.
 - xx. The Company has not raised any money by way of public issue during the year.
 - xxi. In our opinion and according to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the year that causes the financial statements to be materially misstated.
4. Further to our comments referred to in paragraph 3 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 and Profit and Loss Account dealt with by this report are in agreement with the books of account;
 - d. In our opinion the Balance Sheet and Profit and Loss Account dealt with by this report comply with the mandatory Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
 - e. In our opinion, and based on the written representations received from the Directors and taken on record by the Board of Directors of the Company, none of the directors is disqualified as on 31st March, 2008 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act 1956;
 - f. In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the Significant Accounting Policies and other notes thereon give the information required by the Companies Act, 1956, in the manner so required and present a true and fair view in conformity with the accounting principles generally accepted in India:
 - i. In so far as it relates to Balance Sheet, of the state of affairs of the Company as at 31st March 2008; and
 - ii. In so far as it relates to the Profit and Loss Account, of the Loss of the Company for the year ended on that date.

For P N Raghavendra Rao & Co
Chartered Accountants

P.R. Vittel
Partner

Membership No.18111

Coimbatore
28th June 2008

SAKTHI FINANCE LIMITED

BALANCE SHEET AS AT 31ST MARCH 2008

(Rupees)

	Schedule	As at 31.3.2008	As at 31.3.2007
SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital	1	5,00,000	5,00,000
Loan Funds			
Secured Loans	2	6,03,87,000	7,45,84,000
TOTAL		6,08,87,000	7,50,84,000
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	3	13,07,07,319	10,72,78,240
Less: Depreciation		1,18,96,567	97,33,437
Net Block		11,88,10,752	9,75,44,803
Add: Capital Work in progress		-	3,63,35,925
		11,88,10,752	13,38,80,728
Current Assets, Loans and Advances			
Cash and Bank Balances	4	3,67,718	3,53,536
Other Current Assets	5	3,69,22,695	1,53,14,155
Loans and Advances	6	6,29,464	4,20,683
SUB TOTAL - (i)		3,79,19,877	1,60,88,374
Less: Current Liabilities and Provisions			
Current Liabilities	7	11,13,97,998	8,73,00,042
SUB TOTAL - (ii)		11,13,97,998	8,73,00,042
NET CURRENT ASSETS	(i) - (ii)	(7,34,78,121)	(7,12,11,668)
Profit and Loss Account			
	8	1,55,54,369	1,24,14,940
TOTAL		6,08,87,000	7,50,84,000
Notes on accounts	13		

The Schedules referred to above form an integral part of Balance Sheet

Subject to our Report of even date
For P.N. Raghavendra Rao & Co
Chartered Accountants

P.R. Vittel
Partner
Membership No.18111
Coimbatore
28th June 2008

For and on behalf of the Board

M. BALASUBRAMANIAM
Director

S. CHANDRASEKHAR
Director

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2008

(Rupees)

	Schedule	2007-08	2006-07
INCOME			
Rent Receipts	9	59,03,870	32,93,064
Other Receipts		91,58,839	34,158
TOTAL - A		1,50,62,709	33,27,222
EXPENDITURE			
Interest and financial charges	10	1,07,46,548	5,50,949
Staff Salaries and Other benefits	11	1,75,359	2,14,258
Administrative and other expenses	12	36,92,301	28,68,355
Depreciation		21,63,130	16,67,124
TOTAL - B		1,67,77,338	53,00,686
NET LOSS (A-B)		(17,14,629)	(19,73,464)
Less: Provision for Taxation - Current year		14,24,800	-
Balance Carried to Balance Sheet		(31,39,429)	(19,73,464)
Earnings per share (Rs.)		(62.79)	(39.47)
Notes on accounts	13		

The Schedules referred to above form an integral part of Profit and Loss account

Subject to our Report of even date

For and on behalf of the Board

For P.N. Raghavendra Rao & Co

Chartered Accountants

M. BALASUBRAMANIAM

P.R. Vittel

Director

Partner

Membership No. 18111

S. CHANDRASEKHAR

Coimbatore, 28th June 2008

Director

SCHEDULES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET

	As at 31.3.2008	As at 31.3.2007
1. SHARE CAPITAL		
Authorised		
50,000 - Equity Shares of Rs. 10/- each	5,00,000	5,00,000
Issued, Subscribed and Paid up		
50,000 - Equity Shares of Rs.10/-each fully paid-up	5,00,000	5,00,000
(All the shares are held by the holding company Sakthi Finance Limited)		
2. SECURED LOANS		
Non convertible Debentures	6,03,87,000	7,45,84,000
3. FIXED ASSETS		

Description	Gross Block				Depreciation				Net Block	
	As at 31.3.2007	Additions during the year	Deductions/ Adjustments	As at 31.3.2008	Up to 31.3.2007	For the Year	Withdrawn/ Transfer	Up to 31.3.2008	As at 31.3.2008	As at 31.3.2007
Land	70,00,000	-	70,00,000	-					-	70,00,000
Building	9,94,71,240	3,04,29,079	-	12,99,00,319	94,59,293	20,69,770	-	1,15,29,063	11,83,71,256	9,00,11,947
Plant, Machinery and Eqpts.	3,38,000	-	-	3,38,000	96,944	9,264	-	1,06,208	2,31,792	2,41,056
Furniture, Fitting & Office Eqpts.	4,69,000	-	-	4,69,000	1,77,200	84,096	-	2,61,296	2,07,704	291,800
	10,72,78,240	3,04,29,079	70,00,000	13,07,07,319	97,33,437	21,63,130	-	1,18,96,567	11,88,10,752	9,75,44,803
Capital work in progress	3,63,35,925	-	3,63,35,925	-	-	-	-	-	-	3,63,35,925
Total	14,36,14,165	3,04,29,079	4,33,35,925	13,07,07,319	97,33,437	21,63,130	-	1,18,96,567	11,88,10,752	13,38,80,728
Previous year	13,34,02,227	1,33,11,978	31,00,040	14,36,14,165	83,24,328	16,67,124	2,58,015	97,33,437	13,38,80,728	12,50,77,899

SAKTHI FINANCE LIMITED

SCHEDULES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET

(Rupees)

	As at 31.3.2008	As at 31.3.2007
4. CASH AND BANK BALANCES		
Balance with Scheduled Banks in Current Account	3,67,718	3,53,536
5. OTHER CURRENT ASSETS		
Advance for purchase of Vehicle / Land	3,57,13,492	1,37,13,492
Rent receivable	4,63,414	2,04,908
Advance Income Tax / TDS (net of Provisions)	7,45,789	13,95,755
	3,69,22,695	1,53,14,155
6. LOANS AND ADVANCES		
Other Advances recoverable	6,29,464	4,20,683
7. CURRENT LIABILITIES		
Sundry Creditors		
– For Expenses	1,31,114	1,10,959
– For Other Finance	31,71,125	41,44,801
– For purchases and capital expenditure	3,64,15,480	3,20,01,539
Advance from Customers	6,65,15,722	4,49,64,167
Interest accrued but not due	51,64,557	60,78,576
	11,13,97,998	8,73,00,042
8. PROFIT AND LOSS ACCOUNT		
Opening Balance	1,24,14,940	1,04,41,476
Add: Loss for the year	31,39,429	19,73,464
	1,55,54,369	1,24,14,940

SCHEDULES ANNEXED TO AND FORMING PART OF THE PROFIT AND LOSS ACCOUNT

	2007-08	2006-07
9. OTHER INCOME AND RECEIPTS		
Rent received	59,03,870	32,93,064
Other Sundry income	65,686	34,158
Profit on Sale of Assets	90,93,153	-
	1,50,62,709	33,27,222
10. INTEREST AND FINANCIAL CHARGES		
Interest on Non convertible Debentures	69,33,941	-
Interest - Others	37,97,151	5,01,500
Bank Charges	15,456	49,449
	1,07,46,548	5,50,949
11. STAFF SALARIES AND OTHER BENEFITS		
Salaries, Bonus and Other Benefits	1,75,359	2,14,258
	1,75,359	2,14,258

(In Rupees)

	2007-08	2006-07
12. ADMINISTRATIVE AND OTHER EXPENSES		
Rent	13,02,000	13,13,691
Rates Taxes and Licences	9,88,357	3,94,872
Audit fees	31,248	11,224
Printing and Stationery	5,623	6,815
Electricity and Fuel Charges	6,706	4,377
Travelling Expenses	50	2,373
Insurance	32,169	43,064
Repairs and Maintenance	1,85,896	1,46,085
Legal expenses and Stamp charges	1,53,238	1,47,344
Brokerage and Commission	7,94,014	7,47,535
General Expenses	11,009	3,402
Filing Fees	35,960	14,863
Professional Service Charges	1,46,031	32,710
	36,92,301	28,68,355

SCHEDULE - 13

NOTES ON ACCOUNTS

1. SIGNIFICANT ACCOUNTING POLICIES

1.1 Accounting Convention

The financial statements have been prepared to comply in all material respects with the mandatory Accounting Standards issued by the Institute of Chartered Accountants of India, the relevant provisions of the Companies Act 1956. The financial statements are prepared under the historical cost convention on accrual basis.

1.2 Fixed Assets

Fixed assets are stated at historical cost less accumulated depreciation.

1.3 Depreciation

- a) Depreciation on assets on own use is provided for, on straight line method by adopting the rates as prescribed under Schedule XIV to the Companies Act 1956.
- b) For assets under own use acquired during the current year costing Rs. 5,000 each or below, full depreciation has been provided for irrespective of the period of use.

1.4 Taxes on Income

Current tax is the amount of tax payable on the taxable income for the year and determined in accordance with the provisions of the Income Tax Act 1961.

2. BALANCE SHEET

SECURED LOANS

60,387 Secured Redeemable Non-Convertible Debentures of the Face Value of Rs. 1000 each issued and redeemable at par are secured by immovable properties; the earliest date of redemption is reckoned at 12 to 36 months from the date of allotment.

As per the clarification issued by the Department of Company Affairs dated 18th April 2002, the Company is not required to create Debenture Redemption Reserve as the company has suffered loss during the year.

3. RELATED PARTY DISCLOSURES DURING THE YEAR ENDED 31ST MARCH 2008

a. Related Party and their relationship.

Related Party	: Sakthi Finance Ltd
Relationship	: Holding Company

b. Transactions with Related Party.

Receiving of services	: Rs. 192000 (Rs. 192000)
Rent paid	: Rs.1260000 (Rs. 1260000)

4. GENERAL

Additional particulars as per clause 4D of Part II of Schedule VI to the Companies act 1956 are not applicable to the company.

SAKTHI FINANCE LIMITED

5. BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. Registration Details

Registration No. (CIN)	:	U070170TZ2001PLC009699
State Code	:	181
Balance Sheet Date	:	31.3.2008

II. Capital raised during the year

		(Rupees)
Public Issue	:	Nil
Rights Issue	:	Nil
Bonus Issue	:	Nil
Private placement	:	Nil

III. Position of Mobilisation and Deployment of Funds

Total Liabilities	:	6,08,87,000
Total Assets	:	6,08,87,000

Sources of Funds

Paid up Capital	:	5,00,000
Secured Loans	:	6,03,87,000
Unsecured Loans	:	—

Application of Funds

Net Fixed Assets	:	11,88,10,752
Investments	:	—
Net Current Assets	:	(7,34,78,121)
Misc. Expenditure	:	—
Profit and Loss Account balance	:	1,55,54,369

IV. Performance of the Company

Turnover	:	1,50,62,709
Total Expenditure	:	1,67,77,338
Profit before Tax	:	(17,14,629)
Profit after Tax	:	(31,39,429)
Earnings per share (Rs.)	:	(62.79)
Dividend Rate (%)	:	—

V. Generic Names of Three Principal products/Services of the Company (as per monetary terms)

Item Code	:	Not Applicable
Product Description	:	Property Development Activities

6. Previous year's figures have been regrouped / rearranged wherever necessary to conform to current year's presentation.

Subject to our Report of even date
For P.N. Raghavendra Rao & Co
Chartered Accountants

P.R. Vittel

Partner
Membership No.18111

Coimbatore
28th June 2008

For and on behalf of the Board

M. BALASUBRAMANIAM

Director

S. CHANDRASEKHAR

Director

**CONSOLIDATED FINANCIAL STATEMENTS OF SAKTHI FINANCE LIMITED
AND ITS SUBSIDIARY****Auditors' Report on Consolidated Financial Statements****To the Board of Directors of Sakthi Finance Limited**

1. We have audited the attached Consolidated Balance Sheet of Sakthi Finance Limited and its subsidiary company as at 31.3.2008, the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with 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.
3. We report that the Consolidated Financial Statements have been prepared by the company in accordance with the requirements of the Accounting Standard (AS-21) "Consolidated Financial Statements" issued by The Institute of Chartered Accountants of India and on the basis of the individual audited financial statements of the company and its subsidiary company included in the Consolidated Financial Statements.
4. On the basis of the information and explanations given to us, we are of the opinion that the attached Consolidated Financial Statements give a true and fair view in conformity with the accounting principles generally accepted in India:
 - a. in the case of Consolidated Balance Sheet, of the consolidated state of affairs of Sakthi Finance Limited and its subsidiary as at 31st March 2008;
 - b. in the case of Consolidated Profit and Loss account, of the consolidated results of operations of Sakthi Finance Limited and its subsidiary for the year ended on that date; and
 - c. in the case of Consolidated Cash Flow Statement, of the consolidated cash flow of Sakthi Finance Limited and its subsidiary for the year ended on that date.

For P.N.Raghavendra Rao & Co
Chartered Accountants

P.R. Vittel
Partner

Membership No.18111

Coimbatore
28th June 2008

SAKTHI FINANCE LIMITED

CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH 2008

(Rupees)

	Schedule	As at 31.3.2008	As at 31.3.2007
SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital	1	30,10,69,810	20,07,13,210
Share Application money pending allotment		1,38,91,125	11,46,14,671
Reserves and Surplus	2	22,71,54,511	21,13,22,519
Loan Funds			
Secured Loans	3	1,80,78,24,386	1,06,65,36,764
Unsecured Loans	4	64,36,15,902	81,86,11,465
Deferred Tax Liability (net)		1,83,19,826	-
Total funds employed		<u>3,01,18,75,560</u>	<u>2,41,17,98,629</u>
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	5	43,00,68,810	30,97,67,049
Less: Accumulated depreciation		12,78,57,186	11,81,31,196
Net Block		<u>30,22,11,624</u>	<u>19,16,35,853</u>
Capital work in progress		-	3,63,35,925
		<u>30,22,11,624</u>	<u>22,79,71,778</u>
Investments	6	13,88,14,710	15,26,52,945
Deferred Tax Asset (net)		-	1,21,93,355
Current Assets, Loans and Advances			
Stock-on-Hire	7	2,60,22,87,400	2,04,18,08,176
Cash and Bank Balances	8	15,21,15,459	12,00,56,096
Other Current Assets	9	28,58,363	40,88,522
Loans and Advances	10	29,26,70,121	19,73,83,859
SUB TOTAL - (i)		<u>3,04,99,31,343</u>	<u>2,36,33,36,653</u>
Less: Current Liabilities and Provisions			
Current Liabilities	11	46,47,32,610	33,24,58,406
Provisions	12	1,43,49,507	1,18,97,696
SUB TOTAL - (ii)		<u>47,90,82,117</u>	<u>34,43,56,102</u>
NET CURRENT ASSETS (i) - (ii)		<u>2,57,08,49,226</u>	<u>2,01,89,80,551</u>
Total assets (Net)		<u>3,01,18,75,560</u>	<u>2,41,17,98,629</u>
Notes on accounts	19		

Subject to our Report of even date
For P.N. Raghavendra Rao & Co
Chartered Accountants

P.R. Vittel
Partner
Membership No.18111
Coimbatore
28th June 2008

S. VENKATESH
Company Secretary

For and on behalf of the Board

M. MANICKAM
Chairman

M. BALASUBRAMANIAM
Vice Chairman and Managing Director

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2008

(Rupees)

	Schedule	2007-08	2006-07
INCOME			
Income from financial operations	13	40,08,96,620	30,50,40,473
Other Income and Receipts	14	3,64,25,077	2,06,55,054
TOTAL - A		<u>43,73,21,697</u>	<u>32,56,95,527</u>
EXPENDITURE			
Interest and financial charges	15	23,13,13,562	16,41,21,189
Staff Salaries and Other benefits	16	5,72,95,647	4,12,52,004
Operating and Administrative expenses	17	6,72,14,432	5,38,18,822
Provisions and write off (net)	18	89,03,725	96,44,465
Depreciation		1,03,04,195	92,39,281
TOTAL - B		<u>37,50,31,561</u>	<u>27,80,75,761</u>
PROFIT BEFORE TAX	(A-B)	6,22,90,136	4,76,19,766
Less : Provision for Taxation			
- Current		92,22,140	32,07,882
- Fringe Benefit Tax		7,79,442	8,37,251
- Deferred tax - Current Year		2,31,79,964	1,40,82,633
Deferred tax - Earlier Years	73,33,217		
Less: Transferred from Surplus in Profit and Loss account	(73,33,217)	-	-
Net provision withdrawn for Taxation - Earlier years		(3,21,731)	(1,70,166)
PROFIT AFTER TAX		2,94,30,321	2,96,62,166
Balance in Profit and Loss account (net of Deferred tax - earlier years)		3,06,32,918	2,60,74,258
Less: Provision for Employees benefits - earlier years		31,72,000	-
Amount available for appropriation		5,68,91,239	5,57,36,424
Appropriations:			
Special Interim Dividend		-	1,00,35,661
Dividend Tax on Special Interim Dividend		-	14,07,502
Statutory Reserve		65,13,950	63,27,126
Balance Carried to Balance Sheet		5,03,77,289	3,79,66,135
Earnings per Share : Basic (Rs.)		1.35	1.48
: Diluted (Rs.)		1.27	0.94
Notes on accounts	19		

The Schedules referred to above form an integral part of Profit and Loss account

Subject to our Report of even date

For and on behalf of the Board

For P.N. Raghavendra Rao & Co

Chartered Accountants

M. MANICKAM

Chairman

P.R. Vittel

Partner

Membership No. 18111

Coimbatore

28th June 2008

S. VENKATESH

Company Secretary

M. BALASUBRAMANIAM

Vice Chairman and Managing Director

SAKTHI FINANCE LIMITED

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2008

(Rupees)

	2007 - 08	2006 - 07
A CASH FROM OPERATING ACTIVITIES		
Profit before tax	6,22,90,136	4,76,19,766
Financial charges	<u>23,13,13,562</u>	<u>29,36,03,698</u>
Depreciation	1,03,04,195	16,41,21,189
(Decrease) in diminution in value of investments	(35,900)	21,17,40,955
Increase/(Decrease) in provision against Non performing assets	1,02,657	92,39,281
Loss / (Profit) on sale of assets	(85,59,515)	(20,00,000)
Loss on sale and redemption of long term investments	33,32,960	(1,07,88,187)
Interest received	(2,07,54,270)	(32,462)
Dividend received	(9,20,250)	11,07,143
Operating profit before working capital changes	<u>27,70,73,575</u>	<u>(8,99,250)</u>
(Increase) in net stock on hire	(56,04,79,224)	18,90,78,706
(Increase) / Decrease in bank deposits	76,25,148	(30,96,94,372)
(Increase) / Decrease in loans and advances	(2,32,43,652)	(1,64,23,039)
(Increase) / Decrease in other receivables	(6,56,49,616)	4,03,46,465
Increase in current liabilities	<u>8,68,78,336</u>	<u>11,59,14,357</u>
Cash used in operations	<u>(27,77,95,433)</u>	<u>(16,80,12,661)</u>
Financial charges	(21,19,90,746)	2,10,66,045
Direct taxes paid	<u>1,05,93,413</u>	<u>(20,13,97,333)</u>
Net cash used in Operating Activities (A)	<u>(47,91,92,766)</u>	<u>(16,60,77,042)</u>
B CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(12,84,58,655)	(3,45,05,936)
Sale of fixed Assets	5,24,74,129	1,20,73,636
Purchase of investments	(3,33,23,000)	-
Sale / redemption of long term investments	4,38,28,275	2,17,87,500
Interest received	2,19,93,784	2,00,60,090
Dividend received	9,20,250	8,99,250
Net cash used in/from Investing Activities (B)	<u>(4,25,65,217)</u>	<u>2,03,14,540</u>
C CASH FLOW FROM FINANCING ACTIVITIES		
Refund of excess share application money	(3,66,946)	-
Right issue Expenses	(30,93,112)	-
Increase in bank borrowings/other term loans	14,15,79,092	4,97,01,219
Increase in Secured Non convertible debentures	59,97,08,530	10,98,78,920
Increase / (Decrease) in Fixed deposits	(17,49,95,563)	15,55,229
Dividend paid including Corporate Dividend tax	-	(1,14,43,163)
Net cash from Financing Activities (C)	<u>56,28,32,001</u>	<u>14,96,92,205</u>
Net increase/(decrease) in cash and cash equivalents (A+B+C)	<u>4,10,74,018</u>	<u>2,49,95,748</u>
Cash and cash equivalents at the beginning of the year	9,72,45,919	7,22,50,171
Cash and cash equivalents at the end of the year	<u>13,83,19,937</u>	<u>9,72,45,919</u>
Components of cash and cash equivalents at the end of the year		
Cash on hand	2,08,83,741	1,82,18,525
Current accounts with banks	<u>11,74,36,196</u>	<u>7,90,27,394</u>

Subject to our Report of even date

For P.N. Raghavendra Rao & Co

Chartered Accountants

P.R. Vittel

Partner

Membership No.18111

Coimbatore, 28th June 2008

For and on behalf of the Board

M. MANICKAM

Chairman

S. VENKATESH

Company Secretary

M. BALASUBRAMANIAM

Vice Chairman and Managing Director

SCHEDULES ANNEXED TO AND FORMING PART OF THE CONSOLIDATED ACCOUNTS

(Rupees)

	As at 31.03.08	As at 31.03.07
1. SHARE CAPITAL		
Authorised (Holding Company)		
4,00,00,000 Equity Shares of Rs.10 each	4,00,00,000	40,00,00,000
5,00,000 Preference Shares of Rs 100 each	5,00,00,000	5,00,00,000
	45,00,00,000	45,00,00,000
Issued, Subscribed and Paid up		
3,01,06,981 Equity Shares of Rs.10 each fully paid up (Previous year : 2,00,71,321)	30,10,69,810	20,07,13,210
2. RESERVES AND SURPLUS		
Capital Reserve	52,61,238	52,61,238
Securities Premium Account:		
As per last Balance Sheet	13,66,60,020	
Less: Share issue expenses written off	30,93,112	13,66,60,020
Statutory Reserve: As per last Balance sheet	3,14,35,126	
Add: Transfer during the year	65,13,950	3,14,35,126
Balance in Profit and Loss account	5,03,77,289	3,79,66,135
	22,71,54,511	21,13,22,519
3. SECURED LOANS		
Redeemable Non-Convertible Debentures	1,39,88,39,915	79,91,31,385
Term Loans from: Financial Institutions	7,06,68,000	3,20,52,000
Corporates	15,00,00,000	-
Cash Credits from: Banks	17,46,79,372	23,39,15,922
Loan against pledge of Shares	1,25,00,000	-
Interest accrued and due on Bank Cash Credit	11,37,099	14,37,457
	1,80,78,24,386	1,06,65,36,764
4. UNSECURED LOANS		
Fixed Deposits	64,36,15,902	81,86,11,465
5. FIXED ASSETS		

Description	Gross Block				Depreciation				Net Block	
	As at 31.3.2007	Additions	Deductions/ Adjustments	As at 31.3.2008	As at 31.3.2007	For the Year	Withdrawn/ Adjustments	As at 31.3.2008	As at 31.3.2008	As at 31.3.2007
Assets on own use :										
Land	1,80,40,430	21,00,000	70,00,000	1,31,40,430	-	-	-	-	1,31,40,430	1,80,40,430
Building - Freehold	12,35,33,159	3,04,29,079	-	15,39,62,238	1,30,62,196	24,50,027	-	1,55,12,223	13,84,50,015	11,04,70,963
Building - Leasehold	1,99,93,001	-	-	1,99,93,001	68,47,871	3,12,634	-	71,60,505	1,28,32,496	1,31,45,130
Plant and Machinery	55,89,539	3,04,040	10,500	58,83,079	38,96,403	2,55,922	2,993	41,49,332	17,33,747	16,93,136
Plant - Wind Mill - Unit - I	9,85,06,435	-	-	9,85,06,435	6,05,45,486	52,01,140	-	6,57,46,626	3,27,59,809	3,79,60,949
Plant - Wind Mill - Unit - II*	-	9,04,99,522	-	9,04,99,522	-	26,660	-	26,660	9,04,72,862	-
Furniture, Fitting & Office Equipments	3,59,29,055	51,26,014	90,404	4,09,64,665	2,94,92,721	16,18,227	18,182	3,10,92,766	98,71,899	64,36,334
Vehicles **	81,75,430	-	10,55,990	71,19,440	42,86,519	4,39,585	5,57,029	41,69,075	29,50,366	38,88,911
Capital Work in Progress	3,63,35,925	-	3,63,35,925	-	-	-	-	-	-	3,63,35,925
Total	34,61,02,974	12,84,58,655	4,44,92,819	43,00,68,810	11,81,31,196	1,03,04,195	5,78,204	12,78,57,186	30,22,11,624	22,79,71,778
Previous year's total	32,45,35,587	3,45,05,936	1,29,38,549	34,61,02,974	10,97,89,292	92,39,281	8,97,375	11,81,31,196	22,79,71,778	21,47,46,295

Notes : Assets on own use includes Rs.8,44,000 being the cost of ownership flats in a Co-operative Society in respect of which shares have been allotted under their by-laws in the company's name.

* Borrowing cost of Rs.10,99,522 capitalised during the year.

** Includes Rs. Nil (previous year - Rs.18,54,719) towards purchase on hire purchase basis.

SAKTHI FINANCE LIMITED

SCHEDULES ANNEXED TO AND FORMING PART OF THE CONSOLIDATED ACCOUNTS

(Rupees)

	As at 31.3.2008	As at 31.3.2007
6. INVESTMENTS		
Government Stock - Quoted	11,12,92,870	12,40,77,830
Equity shares fully paid-up - Quoted	2,41,60,240	2,41,60,240
Debentures fully paid-up - Quoted	-	200
Government Securities - Unquoted	6,600	6,600
Equity shares fully paid-up - Unquoted	33,55,000	44,08,075
	13,88,14,710	15,26,52,945
7. STOCK ON HIRE		
Net Investment in Stock on Hire	2,60,06,13,980	2,03,87,22,656
Stock on Hire of Assets Repossessed	16,73,420	30,85,520
	2,60,22,87,400	2,04,18,08,176
8. CASH AND BANK BALANCES		
Cash on hand	2,08,83,741	1,82,18,525
Balance with Scheduled Banks in:		
- Current Accounts	11,74,36,196	7,90,27,394
- Deposit Accounts	1,22,15,191	1,98,40,339
- Unpaid Dividend Account	15,80,331	29,69,838
	15,21,15,459	12,00,56,096
9. OTHER CURRENT ASSETS		
Stock of Stationery, Stamps, etc (at cost)	1,18,119	1,08,764
Interest accrued on Govt. Securities and Bank deposits	27,40,244	39,79,758
	28,58,363	40,88,522
10. LOANS AND ADVANCES		
Loans and Advances in the nature of loans	10,92,15,579	6,56,20,827
Other advances and Deposits recoverable in cash or in kind or for value to be received	16,58,09,417	11,43,53,478
Advance payment of Income Tax, Wealth tax		
Fringe benefit tax and Interest tax	1,76,45,125	1,74,09,554
	29,26,70,121	19,73,83,859
11. CURRENT LIABILITIES		
Sundry Creditors:		
- For Expenses	1,01,65,888	56,30,466
- For Others	32,90,69,477	22,02,71,864
Unclaimed dividend	15,80,331	29,69,838
Interest accrued but not due	12,39,16,914	10,35,86,238
	46,47,32,610	33,24,58,406
12. PROVISIONS		
For Income Tax and Fringe Benefit Tax (net)	12,85,968	13,07,165
For Non performing assets	1,06,53,188	1,05,50,531
For Investments	4,100	40,000
For Employee benefits - Earlier years (net)	24,06,251	-
	1,43,49,507	1,18,97,696

SCHEDULES ANNEXED TO AND FORMING PART OF THE CONSOLIDATED ACCOUNTS

(Rupees)

	2007-08	2006-07
13. INCOME FROM FINANCIAL OPERATIONS		
Income from Hire purchase operations	33,01,28,364	25,09,57,089
Interest on loans and Other receipts	1,10,92,811	74,71,894
Dividend from long term Investments	9,20,250	8,99,250
Interest from long term Investments	96,61,458	1,18,16,880
Income from sell down receivables	3,85,85,069	2,89,19,254
Bad debts recovery	1,05,08,668	49,76,106
	40,08,96,620	30,50,40,473
14. OTHER INCOME AND RECEIPTS		
Profit on Sale/Redemption of long term Investments	-	3,03,000
Profit on Sale of Assets	91,22,903	72,402
Sale of Electricity	81,11,672	1,01,08,821
Miscellaneous Income	1,91,90,502	1,01,70,831
	3,64,25,077	2,06,55,054
15. INTEREST AND FINANCIAL CHARGES		
Interest on:		
- Non-Convertible Debentures	12,19,34,848	5,92,76,388
- Fixed Deposits	6,82,20,446	7,52,21,805
- Loans from Banks / Financial Institutions	3,81,08,233	2,74,55,823
Bank Charges	29,10,260	20,36,245
Other Financial Charges	1,39,775	1,30,928
	23,13,13,562	16,41,21,189
16. STAFF SALARIES AND OTHER BENEFITS		
Salary, Bonus and Gratuity	4,80,90,075	3,50,97,984
Contribution to Provident and other Funds	25,37,898	21,76,737
Employees Welfare Expenses	66,67,674	39,77,283
	5,72,95,647	4,12,52,004
17. OPERATING AND ADMINISTRATIVE EXPENSES		
Rent	39,35,168	39,77,666
Rates Taxes and Licences	29,56,020	27,77,187
Communication	33,58,562	30,96,069
Insurance	7,77,449	9,16,217
Travelling and Conveyance	1,07,72,588	95,81,659
Printing and Stationery	25,74,027	20,24,296
Power and Fuel	17,27,083	17,51,624
Advertisements	27,41,772	15,18,179
Resources Mobilisation Expenses	1,88,80,649	1,12,27,133
Legal and Professional Charges	41,20,803	40,44,135
Repairs and Maintenance on:		
- Buildings	24,48,354	33,13,064
- Machinery	27,42,352	19,50,949
- Other Assets	52,25,638	47,05,066
Filing Fees	2,90,043	2,31,768
Directors' Sitting Fees	96,000	58,000
Managing Director's Remuneration	17,76,690	13,73,350
Miscellaneous Expenses	27,91,234	12,72,460
	6,72,14,432	5,38,18,822

SCHEDULES ANNEXED TO AND FORMING PART OF THE CONSOLIDATED ACCOUNTS

(Rupees)

	2007-08	2006-07
18. PROVISIONS AND WRITE-OFF (NET)		
Provision for non-performing assets	60,10,618	57,89,933
Bad debts written off	57,67,961	2,22,09,198
Loss on Sale of Assets	5,63,388	39,940
Loss on sale / Redemption of long term Investments	33,32,960	14,10,143
Less: Withdrawn - no longer required		
Provision for investments	35,900	20,00,000
Provision for non performing assets	67,35,302	1,78,04,749
	89,03,725	96,44,465

Schedule – 19 : NOTES ON CONSOLIDATED ACCOUNTS

1.0 Significant Accounting Policies

1.1 Basis of Presentation

The Accounting Policies of the Company used in the preparation of the Consolidated Financial Statements are in conformity with the generally accepted accounting principles in India and the Accounting Standard (AS-21) on Consolidated Financial Statements issued by The Institute of Chartered Accountants of India. The statements are also in conformity with the directions prescribed by the Reserve Bank of India for Non-Banking Financial Companies.

1.2 Principles of Consolidation

The Consolidated Financial Statements include the Financial Statements of Sakthi Finance Limited and its Subsidiary, namely, Sakthi Properties (Coimbatore) Limited.

The Consolidated Financial Statements have been prepared on the following basis:

- i) The Financial Statements of the Parent Company and its Subsidiary Company have been consolidated on a line-by-line basis, by adding together the book values of like items of assets, liabilities, income and expenses, after fully eliminating *intra-group* balance and *intra-group* transactions resulting in unrealised profit or losses.
- ii) The Consolidated Financial Statements are prepared by adopting Uniform Accounting Policies.
- iii) The financial statements of the following subsidiary have been incorporated for consolidation.

Name of the subsidiary	Country of incorporation	Proportion of ownership interest (%)
Sakthi Properties (Coimbatore) Limited	India	100

1.3 ACCOUNTING CONVENTION

The financial statements are prepared under the historical cost convention on accrual basis of accounting and comply with the mandatory Accounting Standards issued by the Institute of Chartered Accountants of India, the relevant provisions of the Companies Act 1956 and the guidelines issued by the Reserve Bank of India applicable to Non-Banking Financial Companies.

NOTES ON CONSOLIDATED ACCOUNTS (CONTD)**1.4 USE OF ESTIMATES**

The preparation of financial statements in conformity with the generally accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of financial statements and the results of operations during the reporting period end.

1.5 FIXED ASSETS

Fixed assets are stated at historical cost less accumulated depreciation.

1.6 DEPRECIATION

- a) Depreciation on assets on own use is provided for, on straight line method by adopting the rates as prescribed under Schedule XIV to the Companies Act 1956.
- b) For assets under own use acquired during the current year costing Rs.5,000 each or below, full depreciation has been provided for irrespective of the period of use.

1.7 REVENUE RECOGNITION

The prudential norms for Income Recognition and Provisioning for Non-performing assets as prescribed by the Reserve Bank of India for Non - Banking Financial Companies have been followed.

1. Accordingly, revenue recognition has been considered in the accounts on accrual basis only on those assets classified as standard assets as stated below:
 - a) Hire purchase finance charges are recognized as income under the internal rate of return method.
 - b) Interest on advances by way of loans are accounted for, to the extent accrued during the year.
2. Income from Investments by way of dividend is recognised when the right to receive payment is established.
3. Income by way of interest on Government securities is recognised on time proportion basis taking into account the amount outstanding and the rate applicable.
4. In respect of sell down receivables, the difference between the book value of the assets and the sale consideration, after netting of incidental expenses incurred is recognized as revenue.
5. Income from power generation is recognized as per the Power Purchase Agreements with State Electricity Board and on supply of power to the grid.
6. Rental income from the properties is accounted on accrual basis.

1.8 INVESTMENTS

Long term investments are carried at cost. Provision for diminution in value is made to recognize a decline, other than temporary, in the value of investments.

1.9 BORROWING COSTS

Borrowing costs attributable to the acquisition or construction of qualifying assets as defined in AS-16 on "Borrowing Costs" are capitalized as part of the cost of such asset to the date when the asset is ready for its intended use.

1.10 RETIREMENT BENEFITS**I. DEFINED CONTRIBUTION PLANS
PROVIDENT FUND (PF)**

Contributions are made periodically to the PF Commissioner, under the Employees Provident Fund Scheme, in accordance with the provisions of PF and Miscellaneous Provisions Act. The Company does not have any obligation other than the stipulated periodical contribution to the Provident Fund. The obligations to make a fixed and determinable amount of contributions are recognised as an expense in the year incurred.

NOTES ON CONSOLIDATED ACCOUNTS

II. DEFINED BENEFIT PLANS

A. GRATUITY

The Company makes annual contributions to a Fund administered by Trustees and managed by Life Insurance Corporation of India (LIC). The Company accounts its liability for gratuity benefits based on actuarial valuation, as at the Balance Sheet date, determined every year by LIC. The Company, in addition, also ascertains the appropriateness of the obligations under Gratuity by taking an independent actuarial valuation.

B. LEAVE ENCASHMENT ON SUPERANNUATION

In terms of leave benefit policy adopted by the Company, the participating employees are permitted, subject to certain customary precautions, to avail of Sick Leave on fully-paid basis annually. The participating employees are also allowed to carry forward the unavailed Sick Leave benefits up to an extent until Superannuation, when the accumulated sick leave can be encashed. The obligations under Sick Leave Encashment facility are determined through an independent actuarial valuation.

III. OTHER BENEFITS

Other benefits made available to employees include contributions made by the Company under (a) ESI Scheme, (b) Employees Deposit Linked Insurance, (c) Group Personal Accident Insurance and (d) Group Medclaim benefits. Obligations under these benefits which are in the nature of staff welfare are recognized as expense in the year in which they arise.

1.11 TAXES ON INCOME

Current tax is the amount of tax payable on the taxable income for the year and determined in accordance with the provisions of the Income Tax Act 1961.

Deferred tax is recognised, on timing differences, being the difference between taxable income and accounting income that originates in one period and are capable of being reversed in one or more subsequent periods.

Deferred tax assets in respect of unabsorbed depreciation and carry forward losses are recognised if there is a virtual certainty that there will be sufficient future taxable income available to realise such losses. Other deferred tax assets are recognised if there is reasonable certainty that there will be sufficient future taxable income available to realise such assets.

1.12 STOCK ON HIRE

Stock on hire under Hire purchase agreements are stated at agreement value less instalments received.

1.13 PROVISION AS PER RBI NORMS

Provision for non-performing assets, doubtful debts, loans and advances have been made as per the Non-Banking Financial Companies Prudential Norms (Reserve Bank of India) Directions 2007.

2.0 BALANCE SHEET

2.1 Share Capital

Subscribed, Issued and Paid-up capital of holding Company includes 1,00,35,660 equity shares of Rs 10 each for cash at par issued on rights basis allotted during the year.

2.2 Reserves and Surplus

A Statutory Reserve as per the requirements of Section 45IC of the Reserve Bank of India Act 1934 has been created at 20% of the profits after tax available for appropriation of the holding Company.

3.0 Contingent Liabilities

(Rupees)

Particulars	2007-08	2006-07
Collaterals given to a financial institution	-	55,28,000
Income Tax and Interest Tax issues pending before appellate authorities	35,49,221	-

NOTES ON CONSOLIDATED ACCOUNTS (CONTD)

4.0 Related Party Disclosures for the year ended 31st March 2008

Relationships

A	Enterprises in which the key management personnel and their relatives have significant influence	1. ABT Ltd 2. ABT Industries Ltd 3. Sakthi Beverages Ltd. 4. Sakthi Financial Services Ltd. 5. Sakthi Logistic Services Ltd. 6. Sakthi Sugars Ltd. 7. Sri Bhagavathi Textiles Ltd. 8. Sri Chamundeswari Sugars Ltd. 9. Sri Sakthi Textiles Ltd. 10. The Gounder and Company Auto Ltd. 11. N Mahalingam & Co. 12. ARC Retreading Co. Pvt. Ltd. 13. Nachimuthu Industrial Association
B	Key Management Personnel	Sri M Balasubramaniam, Vice Chairman and Managing Director
C	Relatives of Key Management Personnel	1. Dr N Mahalingam, Father 2. Sri M Manickam, Brother 3. Sri M Srinivaasan, Brother 4. Smt Vinodhini Balasubramaniam, Wife

Transactions during the year with enterprises in which the key management personnel and their relatives have a significant influence (Rupees)

Particulars	2007-08	2006-07
Purchase of fuel	15,26,260	9,05,004
Repairing of vehicles	78,352	61,287
Rent received	15,53,520	15,53,520
Rent paid	4,03,860	3,51,660
Resources mobilization charges	1,37,42,509	79,42,035
Printing Charges	11,39,850	4,14,900
Finance charges and Interest	81,06,770	88,56,647
Balance at the end of the year: Collaterals given	-	55,28,000

Transactions with the Key Management personnel and their relatives (Rupees)

Remuneration	10,92,192	9,92,181
Commission	6,84,498	3,81,169
Sitting Fees	36,000	18,000

5.0 Earnings per share

Profit after Tax	2,94,30,321	2,96,62,166
Weighted average number of equity shares	2,17,71,351	2,00,71,321
The nominal value per equity share (Rs)	10	10
Earnings per Share - Basic (Rs)	1.35	1.48
- Diluted (Rs)	1.27	0.94

6.0 Previous year's figures have been rearranged / reclassified / regrouped wherever necessary to conform to current year's presentation.

Subject to our Report of even date
For P.N. Raghavendra Rao & Co
Chartered Accountants

P.R. Vittel

Partner

Membership No.18111

Coimbatore
28th June 2008

Signature to Schedule 1 to 19
For and on behalf of the Board

M. MANICKAM

Chairman

S. VENKATESH
Company Secretary

M. BALASUBRAMANIAM
Vice Chairman and Managing Director

SAKTHI FINANCE BRANCH NETWORK

BRANCH OFFICES		ADDRESS	FAX		PHONES	
TAMILNADU						
Coimbatore	641 018	62, Dr Nanjappa Road	0422	2231915	0422	2231471-4
Chennai	600 004	Raja Rajeswari Towers 29/30, Dr Radhakrishnan Salai, Mylapore	044	28114308	044	28114286
Erode	638 003	Sakthi Sugars Building, 122, Veerabhadra Road			95424	2222209
Madurai	625 020	757, West Main Road, Anna Nagar			95452	2535585
Pollachi	642 002	102, Coimbatore Main Road			954529	225007
Sakthi Nagar	638 315	Sakthi Nagar, Bhavani Taluk			04256	246238
Salem	636 007	116, K R Square, Omalur Main Road			95427	2318840
Tirunelveli	627 002	10A/1, Trivandrum Road			0462	2502989
Trichy	620 018	No.16, First Cross, Thillai Nagar			95431	2765969
Vellore	632 004	62, Bangalore Road			95416	2224653
KERALA						
Ernakulam	682 016	101-B, Land Mark Enclave, 39/3633, Sahodaran Ayyappan Road			0484	2357359
Kannur	670 002	P K Complex, Near Caltex Junction			0497	2703223
Kottayam	686 001	Aryattuparambil Buildings, Sastri Road			0481	2564167
Kozhikode	673 004	5/2248-D, Indira Gandhi Road	0495	2720414	0495	2723699
Manjeri	676 121	Kurikkal Plaza, Opp. Court Complex, Kacheripadi			0483	2767468
Thrissur	680 001	Damodaran & Sons Complex, Round West			0487	2335023
Tiruvananthapuram	695 001	T C No.25/2738, Lukas Lane, "Puthenchantai"			0471	2475806
KARNATAKA						
Bengaluru	560 001	204, 2nd Floor, 92, Kedia Arcade, Infantry Road			080	25583365
MAHARASHTRA						
Mumbai	400 021	1012, Dalamal Towers, 211, Nariman Point			022	22830942
ANDHRA PRADESH						
Vijayawada	520 008	59-14-5, V Floor, BSR Plaza, NH-5 Opp. Stella College			0866	2476333
Visakhapatnam	530 016	I Floor, D No.74-10-3/9, Medicherla Towers Near Diamond Park, Dwaraka Nagar	0891	2550060	0891	2550060
PUDUCHERRY						
	603 001	94, Kamaraj Salai			0413	2213786
HARYANA						
	122 012	A-16, Palam Udyog, Maruthi Industrial Area Plot No. 3, Gurgaon Road			0124	2342371



SAKTHI FINANCE LIMITED

Regd. Office : 62, Dr. Nanjappa Road
Coimbatore - 641 018

ATTENDANCE SLIP

I hereby record my presence at the 51st Annual General Meeting of the Company held at President Hall, 734, Avanashi Road, Coimbatore - 641 018 on Monday, 25th August 2008 at 4.30 p.m.

Folio No. / DP ID. No. / Client ID No. :

Name and Address :

Signature of Member / Proxy

NOTE:

1. Admission restricted to Members / Proxies only.
2. A member / proxy attending the meeting must complete this attendance slip and hand it over at the entrance.

CUT HERE

CUT HERE



SAKTHI FINANCE LIMITED

Regd. Office : 62, Dr. Nanjappa Road
Coimbatore - 641 018

PROXY FORM

I / We of
 in the district of being a
 member / members of the above - named Company, hereby appoint
 of
 in the district of or failing him
 of
 in the district of as my / our proxy to attend and vote
 for me / us and on my / our behalf at the FIFTY FIRST ANNUAL GENERAL MEETING of the
 Company to be held on Monday, 25th August 2008 at 4.30 p.m. and at any adjournment
 thereof.

Signed this day of 2008

Folio No. / DP ID. No. / Client ID No. :

No. of Shares:

Affix 15 Paise Revenue Stamp

SIGNATURE

NOTE : The proxy form duly completed and signed should be deposited at the Registered Office of the Company not later than 48 hours before the commencement of the Meeting.