

C O R P O R A T E S T R U C T U R E

BOARD OF DIRECTORS

| | |
|---------------------------|--------------------------------|
| Mr. Kamal Lunawath | Chairman and Managing Director |
| Mr. Vimal Lunawath | Whole time Director |
| Mr. Bharat M Jain | Whole time Director |
| Mr. A Damodaran | Director |
| Mr. A.L Jayabhanu | Director |
| Mr. Ravikant Choudhary | Director |
| Mr. Harisharanlal Trivedi | Director |
| Mr. Karan Bhasin | Director |

Mr. Kishore Kumar Sahoo Company Secretary

BANKERS

HDFC Limited
 ICICI Bank Ltd
 Kotak Mahindra Bank
 Standard Chartered Bank
 Vijaya Bank

AUDITORS

M/s. B.P Jain & Co.,
 Chartered Accountants
 No.2, Gee Gee Minar, 23, College Road
 Chennai- 600006.

COST AUDITOR

S. Ramachandran, Cost Accountant
 G2, 160, MGR Street,
 Saligramam, Chennai 600 093.

LEGAL ADVISOR

K Venkatasubramanian
 141, Luz Church Road,
 Mylapore, Chennai- 600005

REGISTERED OFFICE

271, (Old no.182), Poonamallee High Road
 "Ankur Manor", 1st Floor, Off. McNichols Road
 Kilpauk, Chennai- 600018

CORPORATE OFFICE

No.3, Ganapathy Colony
 Off. Cenotaph Road
 Teynampet, Chennai- 600018

REGISTRAR AND SHARE TRANSFER AGENTS

M/s. Cameo Corporate Services Limited
 Vth Floor, Subramanian Building, No.1, Club House Road
 Anna Salai, Chennai- 600002

C O N T E N T S

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Dear Shareholders,

The real estate sector in India is being recognized as an infrastructure service that is driving the economic growth engine of the Country. Currently about 5% of India's GDP is contributed by the housing sector. Demand for real estate is expected to grow at a compounded annual growth rate (CAGR) of 19% until 2014. Tier- I metropolitan cities are projected to account for about 40% of this. Growing requirements of space from sectors such as education, health care and tourism provide opportunities in the real estate sector.

India's GDP had downward movement consistently in the last three quarters of 2012. In 2013, this trend will prevail - though the quantum of revision will be lower. The country's economic environment will certainly improve in 2013, with a corresponding (though lagging) gain in momentum for real estate. The most tangible benefits of economic improvements on the Indian real estate space will be seen in 2013-14.

In Chennai, Old Mahabalipuram Road and GST Road are emerging as good realty destinations as there are a significant number of under construction projects by good developers. In 2011, Chennai has witnessed the maximum supply and the city has witnessed an average of 22-33 percent unsold stock in last four years. Although, the market faced 36 percent fall in new launches.

According to a real estate research, 2012 was not a thriving year for the real estate sector and even in 2013 the real estate market is not likely to witness the graph of success. Although there is a steep rise in residential properties, the private equity sector dried up. If the land acquisition bill and the real estate regulation bill is approved, there might be a revival in the economy.

During the year under review, your Company has made an average performance in terms of Sales and Profits. In terms of operational performance, many of its projects which are large residential complexes and Township are under Joint Venture and are progressing well. Your Company will earn good profits from these projects in the year to come. Recent past your Company has launched a residential project comprising of 1,94,145 Sq ft. at Mugappair, Chennai. Another residential project is in pipeline which is located at Nandambakkam, Chennai will be launched shortly.

We at Arihant, believe in building integrity by providing qualitative service and maintaining healthy and cordial relationship with our Customers and Investors.

Your Directors wishes to place on record its sincere thanks to Bankers, Financial Institutions, Chennai Metropolitan Development Authority and Corporation of Chennai and related departments of Govt. of Tamil Nadu for having supported us on all our efforts and endeavours and all those who work for or are associated with Arihant.

Thank You



(Kamal Lunawath)

CMD

NOTICE

Notice is hereby given that the 20th Annual General Meeting of the Shareholders of Arihant Foundations and Housing Limited will be held on Friday the 29th day of March, 2013 at "Arihant Escapade", Devaraj Nagar, 48, Okkium, Thoraipakkam, Chennai - 600097. at 9.30 A.M. to transact with or without modifications, as may be permissible the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited balance sheet as at 30th September, 2012 and Audited profit and loss account for the period from 01.10.2011 to 30.09.2012, together with the Directors' Report and the Auditors' Report.
2. To declare a dividend on equity shares.
3. To appoint a Director in place of Mr. A.L Jayabhanu, who retires by rotation and being eligible, offer himself for re-appointment.
4. To appoint a Director in place of Mr. A Damodaran, who retires by rotation and being eligible, offer himself for re-appointment.
5. To Appoint Auditors and fix their remuneration to hold office from the conclusion of this meeting until the conclusion of next Annual General Meeting. The retiring Auditors M/s. B.P Jain & Co., being eligible, offer themselves for reappointment.

SPECIAL BUSINESS

6. To consider and if thought fit, to pass, with or without modification, the following resolution as a Special Resolution.

"RESOLVED THAT In accordance with the Provisions of Section 198, 269, 309 and 310 read with Schedule XIII to the Companies Act, 1956 and all other applicable provisions if any, of the Companies Act, 1956 or any statutory modification(s) or re enactment thereof, approval of the Company be and is hereby accorded to the increase in the remuneration of Mr. Kamal Lunawath, Chairman and Managing Director, up to Rs.1,00,000/- per month and commission payable @1% of net profit of the company until 31.10.2015."

"RESOLVED FURTHER that the total remuneration payable to Mr. Kamal Lunawath, Chairman and

Managing Director shall not exceed the limit as prescribed under Part -II, Section - II, clause B of Schedule XIII to the Companies Act, 1956.

7. To consider and if thought fit, to pass, with or without modification, the following resolution as a Special Resolution.

RESOLVED THAT In accordance with the Provisions of Section 198, 269, 309 and 310 read with Schedule XIII to the Companies Act, 1956 and all other applicable provisions if any, of the Companies Act, 1956 or any statutory modification(s) or re enactment thereof, approval of the Company be and is hereby accorded to the increase in the remuneration of Mr. Vimal Lunawath, Whole time Director up to Rs.1,00,000/- per month until 31.10.2015."

"RESOLVED FURTHER that the total remuneration payable to Mr. Vimal Lunawath, Whole time Director shall not exceed the limit as prescribed under Part -II, Section - II, clause B of Schedule XIII to the Companies Act, 1956.

8. To consider and if thought fit, to pass, with or without modification, the following resolution as a Special Resolution.

"RESOLVED THAT In accordance with the Provisions of Section 198, 269, 309 and 310 read with Schedule XIII to the Companies Act, 1956 and all other applicable provisions if any, of the Companies Act, 1956 or any statutory modification(s) or re enactment thereof, approval of the Company be and is hereby accorded to the payment of remuneration of Rs.1,00,000/- per month to Mr. Bharat Jain, Whole time Director until 16.02.2015."

"RESOLVED FURTHER that the total remuneration payable to Mr. Bharat Jain, Whole time Director shall not exceed the limit as prescribed under Part -II, Section - II, clause B of Schedule XIII to the Companies Act, 1956.

By Order of the Board
For Arihant Foundations & Housing Limited

Sd/-
(Kishore Kumar Sahoo)
Company Secretary

Place: Chennai
Date: 13.02.2013

Notes:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF. A PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE INSTRUMENT APPOINTING A PROXY SHOULD, HOWEVER BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
2. Corporate members intending to send their authorised representatives to attend the meeting are requested to send a certified copy of Board resolution authorising their representative to attend and vote on their behalf at the Meeting.
3. The Register of Members and Share Transfer Books of the Company will remain closed from 22.03.2013 to 29.03.2013 (Both days inclusive).
4. The dividend on equity shares, if declared at the Meeting, will be payable to those shareholders, whose names appear on the Company's Register of Members at the close of business hours on 21.03.2013. In respect of shares held in dematerialized form, the dividend will be paid on the basis of particulars of beneficial ownership furnished by the Depositories as at the close of business hours on 21.03.2013.
5. Members are requested to notify immediately the changes in their address, if any.
6. Members / Proxies should bring the attendance slip duly filled in for attending the meeting.
7. Members desiring any information as regards the accounts are requested to write to the Company at least 10 days before the date of meeting.
8. Members holding shares in identical order of names in more than one folio are requested to write to the Company's share department enclosing their share certificates, to enable the Company to consolidate their holdings in one folio.
9. Members, who hold shares in the dematerialized form, are requested to bring their depository account number for identification.

10. Members who have not claimed their dividend for the financial year 2004-05 to 2010-11 requested to write to the Company for the same. Details of the unclaimed dividend for the respective financial years given in the Director's Report.

Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956.

Item No.6

Mr. Kamal Lunawath, aged 40 is a Commerce graduate and associated with the Company from its inception. He is specialized in corporate planning and strategic management He has a decade-long experience in managing large residential and commercial building projects from concept to completion. His special interest lies in creating state-of-the-art, plug and play IT parks and integrated township projects. He was appointed as Managing Director for a further period of 5 years with effect from 01.11.2010 (first appointed on 04.11.2005). The terms of appointment was approved by the shareholders at the Annual General Meeting held on 31.03.2011.

Remuneration paid to Mr. Kamal Lunawath until the date of this notice is Rs.75,000/- per month and other perquisites.

The approval to the payment of remuneration as per the earlier term is valid for a period of 3 years and the approval to the remuneration of Mr. Kamal Lunawath will expire on 31.10.2013. It is also proposed to increase the remuneration of Mr. Kamal Lunawath up to Rs.1,00,000/- per month and commission payable at 1% of Net Profit of the Company. The total remuneration payable to Mr. Kamal Lunawath shall not exceed the limit as prescribed under Part- II, Section –II, Clause B of Schedule XIII to the Companies Act, 1956 as approved by the Remuneration Committee. Pursuant to Schedule XIII to the Companies Act, 1956, the abovementioned require prior approval of the shareholders by means of passing special resolution. Hence the Board has recommended the resolution set out at item no. 6 of the notice for your approval.

Memorandum of Interest:

Except Mr. Kamal Lunawath, Managing Director and Mr. Vimal Lunawath, relative of Mr. Kamal Lunawath, none of the Director is concerned or interested in the resolution set out at item no. 6 of the notice.

Item No.7

Mr. Vimal Lunawath, aged 39 is a Commerce graduate and associated with the Company from its inception. He specialises in designing, execution and completion of large residential complexes with a size of over 250 flats. He was appointed as Whole time Director for a further period of 5 years with effect from 01.11.2010 (first appointed on 04.11.2005). The terms of appointment was approved by the shareholders at the Annual General Meeting held on 31.03.2011.

Remuneration paid to Mr. Vimal Lunawath until the date of this notice is Rs.75,000/- per month and other perquisites.

The approval to the payment of remuneration as per the earlier term is valid for a period of 3 years and the approval to the remuneration of Mr. Vimal Lunawath will expire on 31.10.2013. It is also proposed to increase the remuneration of Mr. Vimal Lunawath up to Rs.1,00,000/- per month and the total remuneration payable to Mr. Vimal Lunawath shall not exceed the limit as prescribed under Part- II, Section –II, Clause B of Schedule XIII to the Companies Act, 1956 as approved by the Remuneration Committee. Pursuant to Schedule XIII to the Companies Act, 1956, the abovementioned require prior approval of the shareholders by means of passing special resolution. Hence the Board has recommended the resolution set out at item no. 7 of the notice for your approval

Memorandum of Interest:

Except Mr. Vimal Lunawath, Whole time Director and Mr. Kamal Lunawath, relative of Mr. Vimal Lunawath, none of the Director is concerned or interested in the resolution set out at item no. 7 of the notice.

Item No.8

Mr. Bharat Jain, 37 is a undergraduate and associated with the Company from past 8 years. He specializes in Project execution. He posses 14 years of experience in execution of Township Project, large residential complex and industrial shed. He was appointed as Whole time Director for a period of 5 years with effect from 17.02.2010. The terms of appointment was approved by the shareholders at the Annual General Meeting held on 26.03.2010.

Remuneration paid to Mr. Bharat Jain until the date of this notice is Rs.1,00,000/- per month.

The approval to the payment of remuneration is valid for a period of 3 years and the approval to the remuneration of Mr. Bharat Jain will expire on 16.02.2013. The total remuneration payable to Mr. Bharat Jain shall not exceed the limits prescribed under Part- II, Section –II, Clause B of Schedule XIII to the Companies Act, 1956 as approved by the Remuneration Committee. In order to obtain the approval of the shareholders by means of passing special resolution to the abovementioned, the Board has recommended the resolution set out at item no.8 of the notice for your approval.

Memorandum of Interest:

Except Mr. Bharat Jain, Whole time Director, none of the Director is concerned or interested in the resolution set out at item no. 8 of the notice.

By Order of the Board
For Arihant Foundations & Housing Limited

Sd/-
(Kishore Kumar Sahoo)
Company Secretary

Place: Chennai
Date: 13.02.2013

STATEMENT REGARDING THE MANAGERIAL PERSONNEL AS PER THE SPECIAL BUSINESS CONTAINED IN THE NOTICE – Item no.6, 7 &8

[pursuant to clause B, Section- II , Part- II of Schedule XIII to the Companies Act, 1956]

| | | | |
|--|--|--|--|
| Nature of Industry | Real estate and Construction , major exposure in to residential and commercial construction, IT Parks | | |
| Date of commencement of commercial production | Not applicable being a construction Company | | |
| Financial Performance | Year | PAT (Rs. Lakhs) | EPS (Rs.) |
| | 2008-09 | 278.28 | 3.95 |
| | 2009-10 | 210.06 | 2.88 |
| | 2010-11 | 251.55 | 2.93 |
| Export Performance and net foreign exchange collaborations | Nil | | |
| Foreign Investments Collaborators | Nil | | |
| Information on the managerial personnel | Kamal Lunawath | Vimal Lunawath | Bharat Jain |
| | Mr. Kamal Lunawath aged 40 is a Commerce graduate and associated with the Company from its inception. He was appointed as Managing Director w.e.f 04.11.2005 | Mr. Vimal Lunawath, aged 39 is a Commerce graduate and associated with the Company from its inception. He was appointed as Whole time Director w.e.f 04.11.2005. | Mr. Bharat Jain, aged 37 is a under graduate and associated with the Company from past 8 years. He was appointed as Whole time Director w.e.f 17.02.2010 |
| Past Remuneration | Salary Rs.75,000/- per month and perquisites | Salary Rs.75,000/- per month. | Salary Rs.1,00,000/- per month. |
| Recognition or Awards | Nil | Nil | Nil |
| Job profile and suitability | Specialized in corporate planning and strategic management. He has a decade-long experience in managing large residential and commercial building projects from concept to completion. | Specialises in designing, execution and completion of large residential complexes. | Possess 14 years of experience in execution of Township Project, large residential complex and industrial shed. |
| Remuneration proposed | Salary Rs.1,00,000/- per month and commission payable @ 1% of net profit of the Company. | Salary Rs.1,00,000/- per month. | Salary Rs.1,00,000/- per month. |

| | |
|---|--|
| Comparative remuneration profile | Compared with the remuneration payable in the similar industry and ongoing projects on hand and to ensure just and proper discharge of duties, obligations and responsibilities by the managerial personnel, the remuneration is not high as compared. |
| Pecuniary Relationships directly or indirectly with the Company or managerial personnel | Mr. Kamal Lunawath, Managing Director and Mr. Vimal Lunawath, whole time director are brother. They are person form part of Promoter Group. Mr. Kamal Lunawath hold 7,49,100 shares in the Company and Mr. Vimal Lunawath hold 6,96,400 shares in the Company. |
| OTHER INFORMATION | |
| Reasons for inadequate profits | Economic slow down, stringent market condition and competition. |
| Steps taken or proposed to be taken for improvement | Major initiatives have been taken for improvement of marketing strategy and changes in operational strategy according to market condition. |
| Expected increase in productivity and profits in measurable terms | The directors' report details the ongoing projects. The Board expects the Company to post increased profits in future years. |
| DISCLOSURES | Necessary disclosures have been made in "Report on Corporate Governance" |

By Order of the Board
For Arihant Foundations & Housing Limited

Sd/-
(Kishore Kumar Sahoo)
Company Secretary

Place: Chennai
Date: 13.02.2013

DIRECTORS' REPORT

Your Directors take pleasure in presenting the 20th Annual Report to the Shareholders together with the Audited Accounts for the year ended 30th September, 2012.

FINANCIALS

(Rs. in Lakhs)

| PARTICULARS | 2011-12 | 2010-11 |
|---|-----------------|----------|
| Income | 14392.54 | 13461.43 |
| Expenditure | 12960.08 | 12320.65 |
| Profit before Interest and Depreciation | 1432.46 | 1140.78 |
| Interest | 820.83 | 747.63 |
| Depreciation | 56.35 | 53.92 |
| Profit before Tax and Exceptional items | 555.28 | 339.23 |
| Exceptional items | 280.04 | -- |
| Profit before Tax | 275.24 | 339.23 |
| Provision for tax | 61.99 | |
| 87.68 | | |
| Profit after Tax | 213.25 | 251.55 |
| Previous year provision for Dividend added back | --- | 74.80 |
| APPROPRIATIONS | | |
| Proposed Dividend | 86.00 | 86.00 |
| Balance profit carried forward | 127.25 | 240.35 |

PERFORMANCE

The Company's total Income is Rs.144 crores during the financial year 2011-12 as against Rs.135 crores in the previous year 2010-11. The Profit after tax (PAT) for the financial year is Rs.2.13 crores compared to previous year profit of Rs.2.51 crores. On consolidated basis, the total income of your Company and its subsidiaries and Joint venture stands at Rs.225.74 crores and consolidated profit after tax (PAT) stood at Rs. 4.84 crores as compared to the previous year consolidated PAT of Rs.0.90 crores recording a four times increase in the consolidated profit. The earnings per Share (EPS) basic and diluted stands at Rs.2.48 considering the total equity capital of Rs.8.60 crores (86,00,000 equity shares of Rs.10/- each) as on 30th September, 2012.

It is evident from the above performance that the Company has fetched substantial profit during the year from its JV and Associates as many of the projects of the Company is in JV and with its Associates. In the coming years the

Company also foresee good profits from its own projects and the JV Projects.

A more detailed discussion and analysis on the performance of the Company in retrospect as well as the outlook is detailed in the Management Discussion and Analysis Report.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

The Management Discussion and Analysis Report as required under clause 49 of the Listing Agreement with the Stock Exchanges is presented in a separate section forming part of the Annual Report.

PROJECTS

The Company recognises that conceiving, developing and implementing projects aimed at growth and meeting market requirements, in a cost effective and time bound manner, will always remain a key business policy of the Company. The Company's Project managers are guided by this policy and principle in the successful implementation and completion of various projects.

Project details:**ONGOING PROJECTS**

| Project name | Location | Area (Sqft) |
|--|---------------------|--------------|
| VILLA VIVIANA Township Project In association with J P Morgan India Property Fund | GST Road, Chennai | 13,00,000 |
| NORTH TOWN ESTATES Township Project In association with PVP Ventures Ltd and Unitech Ltd. | Perambur, Chennai | 21,26,880 |
| ARIHANT – FRANGIPANI Residential Complex | Pudupakkam, Chennai | 2,80,000 |
| ARIHANT - PANACHE | Arumbakkam, Chennai | 1,05,400 |
| ARIHANT – JASHN (Mixed development) | Egmore, Chennai | 36,831 |
| GREEN WOOD (Plotted development) | Thazambur, Chennai | 39.665 acres |

NEW PROJECT INITIATIVE:

| | | |
|--|-----------------------|----------|
| ARIHANT - `ESTA Residential Complex | Mugappair, Chennai | 1,94,145 |
|--|-----------------------|----------|

DIVIDEND

Your directors pleased to recommend final dividend for the financial year ended 30th September, 2012 @ 10% i.e. Rs.1.00 per equity share on the paid-up equity shares of Rs.10/- each for the financial year ended 30th September 2012, which if approved at the ensuing Annual General Meeting , will be paid to:

- i) all those shareholders whose name appears in the Register of Members as on 21st March 2013 and;
- ii) all those whose name appears on that date as beneficial owners as furnished by National Securities Depository Limited and Central Depository Services Limited.

DEPOSITS

The fixed deposits have been repaid in full during the year.

SUBSIDIARY COMPANIES AND IT'S ACCOUNTS

There are four subsidiaries of your Company as on 30th September, 2012. The financial details of the Subsidiary Companies as well as the extent of holdings therein are provided in a separate section of the Annual Report pursuant to Section 212 of the Companies Act, 1956. Ministry of Corporate Affairs vide its general circular no.2/2011 dated 8th February, 2011 has issued a direction under Section 212(8) of the Companies Act, 1956 granting general exemption with respect to the provision of section 212 of the Companies Act, 1956. With the consent of the Board and following the aforesaid direction, the annual accounts and other details of Subsidiary Companies are not attached. However the annual accounts of subsidiary companies and related detailed information shall be made available to shareholder's of holding & subsidiary companies seeking such information at any point of time. The Annual accounts of the subsidiary companies shall also be kept for inspection by any share holder's in the corporate office and registered office of the holding company and of the subsidiary companies concerned and a note to the above effect will be included in the details of accounts of subsidiaries to any share holder on demand.

CONSOLIDATED FINANCIAL STATEMENTS

In accordance with the Accounting Standard AS-21 on consolidated financial statements read with Accounting Standard AS-23 on investment in associates, AS-27 on financial reporting of interest in Joint Venture, Auditors Report on the consolidated financial statements, audited

consolidated Balance Sheet, Profit and Loss account and Cash flow statements are provided in the Annual Report.

REPORT ON CORPORATE GOVERNANCE

Your Company ensures good corporate governance by implementing and complying with the polices, standards set out by Securities and Exchange Board of India and other regulatory authorities. The requisite certificate issued by M/s. B.P Jain & Co., Chartered Accountants confirming compliance with the conditions of Corporate Governance as stipulated under clause 49 of the Listing Agreement, is attached to this Report.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN -EXCHANGE EARNINGS AND OUTGO.

The necessary details are furnished in Notes to Financial statements no 28.

PARTICULARS OF EMPLOYEES UNDER SECTION 217(2A)

During the period under review, no employee was in receipt of remuneration in excess of the limits laid down in Subsection (2A) of Section 217 of the Companies Act, 1956.

DIRECTORS

In accordance with the relevant provisions of the Companies Act, 1956 and Articles of Association of the Company, Mr. A. L Jayabhanu and Mr. A Damodaran, Directors are liable to retire by rotation at the ensuing Annual General Meeting and, being eligible, offer themselves for reappointment. The brief resume of directors, who are to be re-appointed as stipulated under clause 49(IV) of the Listing Agreement, are furnished in the Corporate Governance Report forming part of the Annual Report.

DIRECTORS RESPONSIBILITY STATEMENT

Pursuant to the requirements under Section 217 (2AA) of the Companies Act, 1956, the Board of Directors of the Company hereby state and confirm that:

- i. In the preparation of the annual accounts, the applicable accounting standards have been followed along with the proper explanations relating to the material departures;
- ii. The Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of affairs of the company at the end of the financial year and of the profit or loss of the company for that period.

iii. Proper and sufficient care have been taken to maintain adequate accounting records in accordance with the provisions of this Act to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

iv. The annual accounts have been prepared on a going concern basis.

AUDITORS

M/s B.P Jain & Co., Chartered Accountants, Auditors of the Company hold office until the conclusion of the ensuing Annual General Meeting. The Company has received a letter from them to the effect that they offer themselves for reappointment and if appointed, it would be within the prescribed limits under Section 224(1B) of the Companies Act, 1956.

INVESTOR RELATIONS

Your Company always endeavors to keep the time of response to shareholders' requests/ grievances at the minimum. Priority is accorded to address all the issues raised by the shareholders and provide them a suitable reply at the earliest possible time. The Shareholders' and Investors' Grievance Committee of the Board met to review the redressal of investors grievances. The shares of your Company are continued to be traded in Electronic Form and the dematerialisation arrangement exists with both the depositories, viz., National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). As on 30th September, 2012, 6605720 (Sixty six lakhs Five thousands Seven hundred and twenty only) shares have been dematerialised, representing 76.81% of the subscribed capital.

LISTING

The shares of your Company are listed in Madras Stock Exchange Limited, Bombay Stock Exchange Limited and National Stock Exchange of India Limited. The Company has paid the listing fees for the Financial Year 2011-2012 to the Stock Exchanges where its securities are listed. The listed capital of the Company with BSE and NSE is 86,00,000 fully paid-up equity shares of Rs.10/- each. The Company had made a request to Madras Stock Exchange Ltd for delisting its entire securities (70,00,000 equity shares of Rs.10/- each) voluntarily after obtaining the approval of shareholders at the 15th Annual General Meeting of the Company held on 28.03.2008. Delisting approval from MSE is awaited. The Company has also complied with the amendments in listing agreement from time to time.

TRANSFER OF UNPAID DIVIDEND TO IEPF (INVESTOR EDUCATION AND PROTECTION FUND)

Details of unclaimed Dividend:

| Financial Year | Date of Declaration of Dividend | Unpaid Dividend amount As on 30.09.2012 (Rs.) | Due date for transfer to IEPF. |
|----------------|---------------------------------|---|--------------------------------|
| 2004-05 | 24-03-2006 | 7488.20 | 22-04-2013 |
| 2005-06 | 23-03-2007 | 89,666.00 | 21-04-2014 |
| 2006-07 | 28-03-2008 | 1,92,744.00 | 26-04-2015 |
| 2007-08 | 20-03-2009 | 64,857.00 | 18-04-2016 |
| 2008-09 | 26-03-2010 | 1,44,331.00 | 24-04-2017 |
| 2010-11 | 30-03-2012 | 66,376.00 | 28-04-2019 |

The Shareholders are requested to claim their unclaimed dividends before the aforementioned due dates. The unpaid dividend transferred to IEPF, cannot be claimed by the Shareholders.

THE COMPANIES (COST ACCOUNTING RECORD) RULES, 2011

The Ministry of Corporate Affairs vide notification dated 3rd June, 2011 have issued Companies (Cost Accounting Record) Rules, 2011 and made mandatory, the maintenance of cost accounting records and filing of a compliance report in respect thereto with Registrar of Companies for each financial year commencing on or after the 1st day of April, 2011. The aforesaid Rule is applicable to your Company.

Pursuant to the aforesaid Rules, Mr. Srinivasan Ramachandran, Practicing Cost Accountant was appointed as a Cost Auditor of the Company and has submitted a duly certified copy of the Compliance Report, along with necessary Annexure in prescribed format. The observation made in the said report are self explanatory.

PERSONNEL

The Board wishes to place on record its appreciation of all employees of the Company, for their wholehearted efforts and contribution to the performance and growth of the Company.

ACKNOWLEDGEMENTS

Your Directors place on record their gratitude for the support and co-operation received from CMDA, Corporation of Chennai, ELCOT, Banks and Financial

Institutions, Customers, Suppliers and Shareholders and for their continued support. The Board also wish to place its sincere appreciation to the dedicated and committed team of employees.

For and on behalf of the Board of Directors
Arihant Foundations & Housing Limited

Sd/-
(KAMAL LUNAWATH)
Managing Director

Sd/-
(VIMAL LUNAWATH)
Whole time Director

Date:13.02.2013

Place: Chennai

ANNEXURE TO DIRECTOR'S REPORT

Board of Directors explanation for the observations made in the auditors report pursuant to provision of section 217(3) of the Companies Act, 1956.

Auditors Report point no. 4 (iv)

1. With respect to nonaccrual of interest amounting to Rs. 11,01,67,851.50/- in the matter of HUDCO, the Board have explained that, upon receipt of the order of DRT, the Company had paid outstanding principal amount of Rs. 15,48,54,845/- on 29.08.2011. HUDCO had filed an appeal to DRAT against the order of DRT for a higher interest. The Company had also filed an appeal to DRAT (Debt Recovery Appellate Tribunal) for lower interest. As the order is under dispute, the Company has accrued interest only to the extent of Rs.2,61,07,364/- and not for the entire period of 8 years and 3 months (from 01.07.2004 to 30.09.2012). The hearing is awaited from DRAT.

Annexure to Auditors Report point no. (vi)

2. These loans are not in terms of Companies (Acceptance of Deposits) Rules, 1975 due to delay in execution of securitization documents relating to certain immovable properties of the Company.

Annexure to Auditors Report point no. (ix)

3. With respect to delay in remittance of the employees provident fund, management is of the view that the Company became eligible under PF Act with effect from 2nd April, 2012 and it is registered under PF Act on 30th Aug, 2012. Due to registration formalities and other statutory compliance with respect to Provident Fund the remittances delayed for few months which is remitted on November, 2012.

REPORT ON CORPORATE GOVERNANCE

1. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

The Company endeavors to achieve the highest level of transparency and accountability towards its shareholders. The objective of the Company is to sustain growth in order to enhance the wealth of the shareholders, who are the real owners of the Company.

2. BOARD OF DIRECTORS (I) COMPOSITION OF BOARD

The Board of Directors of Arihant Foundations & Housing Limited consists of eight Directors as on 30.09.2012.

The break up of the total composition of the Board as on 30.09.2012 is as follows:

| Sl. No. | Name of the Directors | Designation | Executive/ Non - executive/ Independent |
|---------|----------------------------|---------------------|---|
| 1. | Mr. Kamal Lunawath* | Managing Director | Executive |
| 2. | Mr. Vimal Lunawath* | Whole time Director | Executive |
| 3. | Mr. Bharat M Jain | Whole time Director | Executive |
| 4. | Mr. A L Jayabhanu ** | Director | Non- Executive |
| 5. | Sri. A. Damodaran | Director | Non-Executive & Independent |
| 6. | Sri. Harisharanlal Trivedi | Director | Non-Executive & Independent |
| 7. | Mr. Ravikant M Choudhary | Director | Non-Executive & Independent |
| 8. | Mr. Karan Bhasin | Director | Non-Executive & Independent |

* Represents Promoter Group;

** Retired from Whole time Directorship w.e.f 13.02.2012 and continuing as a Non- Executive Director.

(II) ATTENDANCE OF EACH DIRECTOR AT THE BOARD MEETINGS AND THE LAST AGM AND DETAILS OF OTHER DIRECTORSHIPS AS ON 30.09.2012.

| Sl. No. | Name of the Directors | No. of Directorship held in other Public Limited Companies | No. of Membership / Chairmanship of Board, Committee of other Public Limited Companies | No. of Board Meetings Attended | Whether Attended last A.G.M |
|---------|-----------------------|--|--|--------------------------------|-----------------------------|
| 1. | Kamal Lunawath | 5 | 4 | 7 | Yes |
| 2. | Vimal Lunawath | 5 | 1 | 8 | Yes |
| 3. | Col. A.L Jayabhanu | - | - | 3 | Yes |
| 4. | A .Damodaran | 1 | - | 8 | Yes |
| 5. | Bharat M Jain | - | - | 7 | Yes |
| 6. | Harisharanlal Trivedi | - | - | 3 | No |
| 7. | Ravikant M Choudhary | 2 | 4 | 8 | Yes |
| 8. | Karan Bhasin | - | - | 2 | No |

(III) NUMBER OF BOARD MEETINGS HELD, DATES ON WHICH HELD

During the Financial Year 2011 to 2012 (from 01.10.2011 to 30.09.2012) 8 (Eight) Board meetings were held on 29.11.2011, 07.12.2011, 01.02.2012, 13.02.2012, 15.05.2012, 25.06.2012, 06.07.2012, 14.08.2012,

3. AUDIT COMMITTEE

(I) Composition, name of members and Chairman:

Mr. Ravikant Choudhary, Chairman of the Committee
Mr. A Damodaran, Member of the Committee
Mr. Kamal Lunawath, Managing Director,
Member of the Committee

(II) No. of meetings and attendance:

There were (4) four meetings held during the year 2011-12 (from 01.10.2011 to 30.09.2012) on 29.11.2011, 13.02.2012, 15.05.2012 and 14.08.2012. All four meetings were attended by the members except Mr. Kamal Lunawath, who have attended three meetings.

(III) Brief description of terms of reference:

The Committee's terms of reference, authority and powers are in conformity with the requirement of the Companies Act, 1956 and the Listing Agreement.

4. REMUNERATION COMMITTEE

The Company has constituted a Remuneration Committee on 28.01.2010 comprising of Mr.A.Damodaran, Independent Director, Mr. Ravikant Choudhary, Independent Director and Mr. Harisharanlal Trivedi, Independent Director under the Chairmanship of Mr. A Damodaran.

The Committee is formed in accordance with Section II, Part II of Schedule XIII to the Companies Act, 1956 to approve the remuneration to managerial personnel in the event of inadequacy of Profit.

Remuneration paid/ payable to the Directors and the shareholding of Non – executive Directors in the Company.

| Name of the Directors | Salaries and Allowances | Other Benefits. |
|---|---|-----------------|
| Mr. Kamal Lunawath Managing Director | Rs.75,000/- per month. and perquisites | Company Car |
| Mr. Vimal Lunawath Whole time Director | Rs.75,000/- per month and perquisites | Company Car |
| Col. A.L Jayabhau Director | Rs.75,000/- per month. | Company Car |
| Mr. Bharat Jain Whole time Director | Rs.1,00,000/- per month | Company Car |

• Details of remuneration paid/payable to the Non-Executive and Independent Directors during the financial year 2011-12 and their shareholding as on 30.09.2012:

| Name of the Director | Remuneration / Sitting fees paid (Rs.) | No. of equity shares of Rs.10/- each held |
|---------------------------|--|---|
| Mr. Ravikant Choudhary | 20000 | 5011 |
| Mr. A Damodaran | 16000 | --- |
| Mr. Harisharanlal Trivedi | 8000 | --- |
| Mr. Karan Bhasin | 4000 | --- |

No remuneration was paid to Non – executive and Independent Directors except sitting fees.

Notes:

- (i) There are no stock options and severance fees.
- (ii) No Notice period is specified for Directors resignation/ termination.

5. SHARE TRANSFER AND SHAREHOLDER'S / INVESTOR'S GRIEVANCE COMMITTEE:

The committee consists of 2 members viz., Mr. Ravikant Choudhary, Independent Director Mr. Kamal Lunawath, Managing Director. The Chairman of the Committee is Mr. Ravikant Choudhary.

During the financial year (01.10.2011 to 30.09.2012), 2 (Two) meetings of Share transfer and Shareholders/ Investors Grievance Committee were held on 30.11.2011 and 15.06.2012. These two meetings were attended by all the members.

a) Mr. Kishore Kumar Sahoo, Company Secretary is the Compliance Officer.

b) No. of shareholders' complaints received during the period 01-10-2011 to 30-09-2012 Nil

c) No. of complaints not solved to the satisfaction of the Shareholders Nil

d) No. of pending complaints as on 30.09.2012 Nil

6. GENERAL BODY MEETINGS

a) Location and time where last three Annual General Meeting (AGMs) were held:

| A.G.M | Date | Time | Venue |
|----------|------------|-----------|---|
| 17th AGM | 26.03.2010 | 10.00 A.M | Arihant Escapade Devaraj Nagar 48, Okkium Thoraipakkam Chennai - 600097. |
| 18th AGM | 31.03.2011 | 9.30 A.M | Arihant Escapade Devaraj Nagar 48, Okkium Thoraipakkam Chennai - 600097 |
| 19th AGM | 30.03.2012 | 9.30 A.M | Arihant Amara Old no.60, New No. 49 Poonamallee High Road, Goparasanallur Village Poonamallee Taluk, Chennai - 600056 |

b) Whether any special resolutions passed in the last AGM: No

c) Whether any special resolutions passed last year through postal ballot: No

d) No resolution was passed by postal ballot during last three financial year and nor any resolution is proposed to be conducted through postal ballot.

SUBSIDIARY COMPANIES

The Company does not have any 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. However the Company has four non listed Indian Subsidiary Company and compliance required under clause 49 (III) of the Listing Agreement has been duly complied with.

7. DISCLOSURES

a) There are related party transactions i.e. transactions of the Company with its Key Management Personnel, Subsidiary Companies, Partnership Firms, Joint Venture and Associates.

b) The related party transactions are entered into based on consideration of various business exigencies such as legal requirement, synergy in operation and capital resources of subsidiaries and associates. All related party transactions are intended to further the business interest of the Company.

c) There were no instances of material non compliance and no penalties or strictures on the Company imposed by Stock Exchanges, SEBI or statutory authorities on any matter related to Capital Market during last three years / period.

d) Pursuant to requirements of SEBI (Prohibition of Insider Trading) Regulations, 1992 as amended, the Company has adopted a 'Code of Conduct' for 'prevention of Insider Trading' (The Code). The code is applicable to all Directors and such designated employees who are expected to have access to unpublished price sensitive information relating to the Company.

Mr. Kishore Kumar Sahoo, Company Secretary has been appointed as the Compliance Officer for monitoring adherence to the Regulations.

e) The Company has complied with all the mandatory aspects of Corporate Governance and compliance of non mandatory requirements given as an annexure to this Report and Marked as Annexure- 3.

8. MEANS OF COMMUNICATION

a) The Board of Directors of the Company takes on record the un-audited financial Results in the prescribed form within 45 (forty five) days of the close of every quarter, audited financial result within 60 days from the end of the financial year and announces the results to all the Listed Stock Exchanges soon after their approval in conformity with the Clause 49 of the Listing Agreement.

b) The quarterly unaudited and yearly audited financial results are also published in the news papers and details and date of publications are as under:

| Quarter/ Year Ended | Name of English daily and date of publication | Name of Regional daily and date of publication |
|------------------------|--|---|
| 30.09.2011 | Business Standard 1.12.2011 | Maalai Sudar (TAMIL) 01.12.2011 |
| 31.12.2011 | Business Standard 15.02.2012 | Maalai Sudar (TAMIL) 14.02.2012 |
| 31.03.2012 | Business Standard 17.05.2012 | Maalai Sudar (TAMIL) 17.05.2012 |
| 30.06.2012 | MINT, 17.08.2012 | Maalai Sudar (TAMIL) 16.08.2012 |

c) The Quarterly un-audited financial results and audited Annual results are also posted on the Company's web site at: www.arihantfoundations.com, investors section.

d) No presentation is made to institutional investors or to the analyst.

Management Discussion and Analysis Report forms part of the Annual report for year 2011-12, given as an Annexure -2 to the Director's Report 2011-12.

9. GENERAL SHAREHOLDER INFORMATION

- i. Number of Annual General Meeting : 20th Annual General Meeting
- Date & Time : 29.03.2013, 9.30 am
- Venue : Arihant Escapade
Devaraj Nagar
48, Okkium
Thoraipakkam
Chennai - 600097

ii. The particulars of Directors as required under Clause 49 IV (G) (i) of the Listing Agreement are as under:

| Name of Director | Date of Birth | Date of Appointment | Experience in specific functional areas | Qualifications | List of other Public Limited Companies in which Directorship held as on 30.09.2012 | Chairman/ member of the Committee of Board of other Public Limited Companies on which he was a Director as on 30.09.2012 | Shares held |
|------------------|---------------|---------------------|---|--------------------------|--|--|-------------|
| A.L. Jayabhanu | 03.10.1945 | 28.09.1996 | Real Estate Marketing. | Bsc, BE, MBA | Nil | Nil | Nil |
| A Damodaran | 29.06.1936 | 12.06.1995 | Town and Country planning, Retired Chief Planner, CMDA, Chennai | BE (Civil) Msc (Eng.) | Ind Bank Housing Limited, Honorary Director | Nil | Nil |

iii. Financial Calendar : October to September

iv. Book Closure date : 22.03.2013 to 29.03.2013
(both the days inclusive)

v. Listing on Stock Exchanges : The Madras Stock Exchange Ltd
"Exchange Building"
11, Second Line Beach, Chennai-1
www.madrasstockexchange.in

Bombay Stock Exchange Limited
Phiroze Jeejeebhoy Towers
Dalal Street, Mumbai-400001
Website:- www.bseindia.com

National Stock exchange of India Ltd
Exchange Plaza,
Bandra Kurla Complex
Bandra (E), Mumbai- 400051
Website: www.nseindia.com

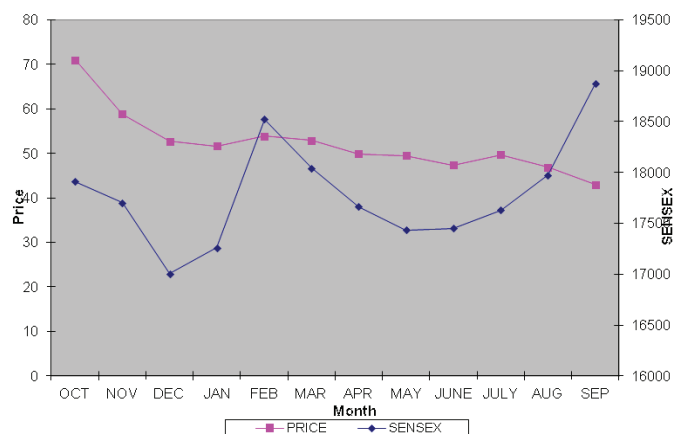
vi. Stock code/ Symbol : 531381
Bombay Stock Exchange Limited : Arihant Found
Madras Stock Exchange Limited : AFD
National Stock Exchange of India Ltd : ARIHANT

ISIN for dematerialised shares : INE413D01011

vii. Market price data – High/Low during each month of the financial year 2011-12 (from 01.10.2011 to 30.09.2012) and performance in comparison to Broad based BSE SENSEX index during the said financial year as downloaded from BSE website:

| Month | Bombay Stock Exchange Ltd | | BSE Sensex | |
|----------------|---------------------------|-------|------------|----------|
| | High | Low | High | Low |
| October 2011 | 70.95 | 58.00 | 17908.13 | 15745.43 |
| November 2011 | 58.85 | 47.50 | 17702.26 | 15478.69 |
| December 2011 | 52.65 | 42.80 | 17003.71 | 15135.86 |
| January 2012 | 51.60 | 38.30 | 17258.97 | 15358.02 |
| February 2012 | 53.90 | 44.75 | 18523.78 | 17061.55 |
| March 2012 | 52.90 | 44.00 | 18040.69 | 16920.61 |
| April 2012 | 49.90 | 41.00 | 17664.10 | 17010.16 |
| May 2012 | 49.50 | 42.05 | 17432.33 | 15809.71 |
| June 2012 | 47.30 | 41.20 | 17448.48 | 15748.98 |
| July 2012 | 49.70 | 43.10 | 17631.19 | 16598.48 |
| August 2012 | 46.90 | 41.00 | 17972.54 | 17026.97 |
| September 2012 | 43.00 | 37.80 | 18869.94 | 17250.80 |

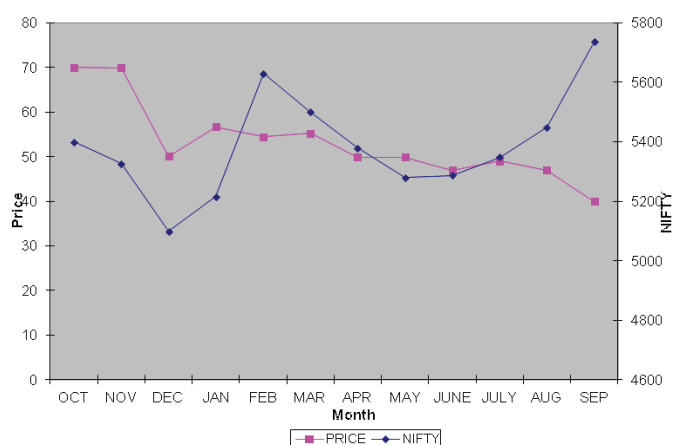
Stock Performance of the Company in comparison with BSE Sensex for the Financial Year 2011-12



viii. Market price data – High/Low during each month of the financial year 2011-12 (from 01.10.2011 to 30.09.2012) and performance in comparison to NSE Nifty index during the said financial year downloaded From NSE website:

| Month | National Stock Exchange of India Ltd | | NSE Nifty Index | |
|----------------|--------------------------------------|-------|-----------------|---------|
| | High | Low | High | Low |
| October 2011 | 69.95 | 65.00 | 5399.70 | 4728.30 |
| November 2011 | 69.85 | 51.45 | 5326.45 | 4639.10 |
| December 2011 | 50.10 | 43.40 | 5099.25 | 4531.15 |
| January 2012 | 56.70 | 36.15 | 5215.40 | 4588.05 |
| February 2012 | 54.45 | 43.00 | 5629.95 | 5159.00 |
| March 2012 | 55.25 | 39.25 | 5499.40 | 5135.95 |
| April 2012 | 49.90 | 39.05 | 5378.75 | 5154.30 |
| May 2012 | 49.90 | 42.40 | 5279.60 | 4803.95 |
| June 2012 | 47.00 | 40.45 | 5286.25 | 4770.35 |
| July 2012 | 49.00 | 40.00 | 5348.55 | 5032.40 |
| August 2012 | 47.00 | 39.00 | 5448.60 | 5164.65 |
| September 2012 | 40.00 | 34.45 | 5735.15 | 5215.70 |

Stock Performance of the Company in comparison with NSE Nifty for the Financial Year 2011-12:



ix. Registrar and Share transfer Agent :-

Cameo Corporate Services Limited.
Subramanian Building, No.1 Club House Road,
Anna Salai, Chennai-2.
Ph: 28460390.

M/s. Cameo Corporate Services Limited., Registrar and Share Transfer Agent, processes the share registry work in terms of both physical and electronic (Dematerialisation of shares). Accordingly, the shareholders are required to approach M/s. Cameo Corporate Services Limited for all work relating to the Company's shares including transfer and transmission of shares, issue of duplicate share certificates, splitting, consolidation and replacement of share certificates as well as for dematerialization of shares held in the Company. The shareholders are also requested to send all correspondence relating to Company's shares to M/s. Cameo Corporate Services Limited.

x. Share Transfer system

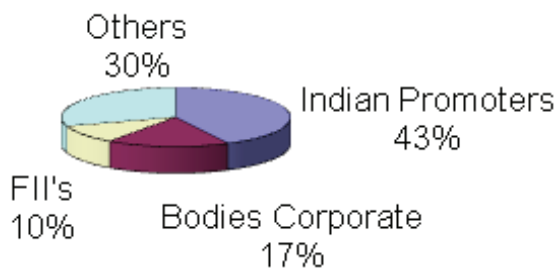
All valid transfer deeds received from the shareholders/ investors are registered with the approval of the share transfer and Shareholders/Investors Grievance Committee constituted by the Board of Directors of the Company and the share certificates after endorsement are generally returned by registered post within 30 days from date of lodgment of transfer deeds. The deficient transfer documents are returned to the sender with objection memos for making good the shortcomings.

xi. Distribution of Shareholding as on 30.9.2012

| Range of Shares | No. of Share holders | % | No. of Shares | % |
|-----------------|----------------------|--------|---------------|--------|
| 1 to 500 | 1748 | 83.08 | 182203 | 2.12 |
| 501 to 1000 | 84 | 3.99 | 65945 | 0.77 |
| 1001 to 2000 | 80 | 3.80 | 121331 | 1.41 |
| 2001 to 3000 | 46 | 2.19 | 119971 | 1.39 |
| 3001 to 4000 | 21 | 1.00 | 74645 | 0.87 |
| 4001 to 5000 | 21 | 1.00 | 101386 | 1.18 |
| 5001 to 10000 | 39 | 1.85 | 322349 | 3.75 |
| 10001 and above | 65 | 3.09 | 7612170 | 88.51 |
| Total | 2104 | 100.00 | 8600000 | 100.00 |

xii. Shareholding pattern as on 30.9.2012

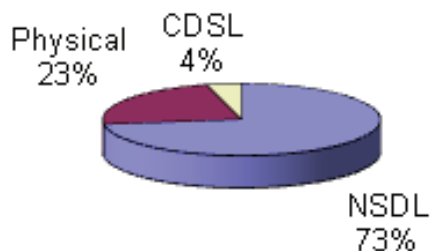
| Sl. No. | Category | No. of Shares | % of Paid up Capital |
|---------|---|------------------|----------------------|
| 1. | Indian Promoter's (including Person acting in concert). | 36,55,700 | 42.51 |
| 2. | Bodies Corporate | 14,86,261 | 17.28 |
| 3. | FII's | 8,75,206 | 10.18 |
| 4. | Others | 25,82,833 | 30.03 |
| | TOTAL | 86,00,000 | 100.00 |



xiii. Dematerialisation of Shares and liquidity.

The dematerialisation facility exists with both the National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) for the convenience of shareholders. As on 30.09.2012, 66,05,720 shares have been dematerialised, representing 76.81% of the Subscribed capital. The Company's shares are actively traded shares on BSE & NSE.

Demat / Physical status of Shares (% to paid up capital) as on 30.09.2012



Reconciliation of Share Capital Audit Report

As stipulated by the Securities and Exchange Board of India, a qualified Practicing Company Secretary carries out the share capital audit to reconcile the total admitted capital with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) and the total issued and listed capital. This audit is carried out every quarter and the report thereon is submitted to the Stock Exchanges and is also placed before the Board of Directors. The audit, interalia, confirms that the total listed and paid up capital of the Company is in agreement with the aggregate of the total number of shares in dematerialized form held with NSDL, CDSL and total number of shares in physical form.

xiv. Outstanding GDR s / ADR s / warrants or any convertible instruments, conversion date and likely impact on equity.
Nil

xv. Plant Locations.

Since the nature of business of the Company is construction. The Company has site and projects at various places in urban and sub-urban areas.

xvi. Address for correspondence

For matters relating to Company's shares:

Cameo Corporate Services Limited.
Subramanian Building, No.1, Club House Road,
Anna Salai, Chennai-2.
Ph: 28460390.

For other matters:

Registered office:
271 (Old 182), Poonamallee High Road,
"Ankur Manor" 1st Floor, Off. McNichols Road,
Kilpauk, Chennai-10.
Website:- www.arihantfoundations.com

Corporate Office:
New No.3 (Old No.25), Ganapathy Colony,
3rd Street, Off. Cenotaph Road,
Teynampet, Chennai- 600018
Email: investors@arihants.co.in

CODE OF CONDUCT

Effective from 31st December, 2005, the Company adopted formal code of conduct. The same has been posted on Company's website at www.arihantfoundations.com. The members of the Board and senior management of the Company have submitted their affirmation to the compliance with the code of conduct for the effective period. The declaration by the Managing Director to that effect forms part of this report.

CEO/ CFO CERTIFICATION

As required by Clause 49 of the listing agreement, the Certificate duly signed by Mr. Kamal Lunawath., Managing Director and Mr. Vimal Lunawath- Whole time Director-Finance was placed before the Board of Directors at its meeting held on 29th November, 2012.

Annexure- 1

DECLARATION UNDER CLAUSE 49(I)(D) OF THE LISTING AGREEMENT FOR COMPLIANCE WITH THE CODE OF CONDUCT

In accordance with Clause 49 sub clause (I) (D) of the listing agreement with Stock Exchanges, I hereby confirm that myself and other members of the Board of Directors and senior management personnel of the Company have affirmed compliance of the code of conduct.

For Arihant Foundations & Housing Limited

Sd/-
Kamal Lunawath
Managing Director

Date: 29.11.2012

Place: Chennai

ANNEXURE - 2

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Industry Structure & Development

India continues to be one of the fastest growing economies. This growth will sustain if supported by an equally robust development of its infrastructure. Key requirement in order to achieve a GDP growth rate exceeding 8- 9% include road, power, port as well as urban infrastructure. GDP growth in India reduced to 6.3% in 2011-12 which is the lowest growth rate recorded in the last 10 years. Consequently the construction industry growth in India reduced to 5.3% in 2011-12.

The real estate sector in India is being recognized as an infrastructure service that is driving the economic growth engine of the Country. Currently about 5% India's GDP is contributed by the housing sector. Demand for real estate is expected to grow at a compounded annual growth rate (CAGR) of 19% until 2014. Tier- I metropolitan cities are projected to account for about 40% of this. Growing requirements of space from sectors such as education, health care and tourism provide opportunities in the real estate sector.

Arihants' business operation:

The Company has 7 ongoing projects (including JV projects). During the year under review the Company along with JV Projects has sold nearly 4.21 lakh sq ft and the Company has launched a residential project during the year comprising of 1,94,145 sq ft. located in Mugappair, Chennai.

Opportunities

Opportunity in real estate sector lies with the following factors:

Robust and sustained macro economic growth.

Upsurge in industrial and business activities, especially new economy sectors.

Favorable demographic parameters.

Significant rise in consumerism.

Rapid urbanization.

Availability of a range of financing options at affordable interest rate.

Threats

The factors that go in to driving real estate prices are definitely negative and will continue to remain negative. The factors include lending rates and terms, price to income ratios and rental yields. Bank lending to real estate is facing headwind. From a Customer point of view, interest rates have gone up by at least 300 basis points (3%) over the last couple of years while loan to value ratio has come down from 90% to 80% and below. Customers will have to put more upfront money to avail a loan at a higher interest cost.

In a slowing economy, income levels are rising at low double digit levels for those who can actually think of buying property while property prices are expected to go up by at least 25% every year.

Labour market trends indicates that the financial services sector is shedding jobs while the IT Sector is increasing the head count but at the entry level. Entry level employees cannot afford to buy homes in India as the price to income ratio will be a minimum of 10 times. Even the property price has moved up and lending terms are become tighter, the affordability factor has actually gone down.

Rental yields are abysmally low in the range of 2 to 3 percent across metros. Despite the rise in interest rates, the rising inflation and rise in property prices, rentals are staying sticky at lower levels the reason is that the investors buying property have increased over the last few years and this has increased the supply of rental properties.

Outlook

1. Demand for Affordable Housing
2. Growth in Tier II and Tier III Cities/Metro Suburbs
3. Interest Rate Movement

Demand for Affordable Housing

Owning a House is still a dream for a majority of the working class population in our country. With rapid industrialization and growth throughout the country, the demand for houses is bound to increase. Realtors who can build cost-effective homes in good localities are bound to reap big rewards in terms of high customer interest. Everyone needs a house to stay and owning a house is a decision everyone wants to make, provided they get a good deal. So, the demand

is going to be there and whenever there is a demand it will lead the price to go up.

Growth in Tier-II and Tier- III Cities / Metro Suburbs

With cost of land sky-rocketing in Metros, Real Estate Developers are turning their attention to Tier II & III Cities and also Suburban areas of Metros. This is because, the cost of land in these areas is comparatively cheaper than Metros and prime locations in Cities. Also, most home buyers look for cost-effective homes and could not afford a property at the heart of the city. So, this is the area where the real estate buyers market is and that is what the construction companies are trying to tap into.

With Major Industries and company's opening up offices in Tier II & III or Suburban areas, the demand for residential properties in the surrounding areas is bound to rise.

Interest Rate Movement

Loan Interest Rates have been altered by the RBI numerous times since 2012. The RBI has changed it 13 times since March 2010. That is roughly once every two months and most of these have been a Northward Movement (Increase). But, over the past few months the rates haven't changed much and experts forecast that the Interest rates are expected to have a Southward Movement (Decrease). A decrease in interest rates will ease the liquidity condition of not only buyers but also the builders. This will definitely help the housing demand.

Risks and Concern

The Company is exposed to various risks: Operational risk being the risk pertaining to non-completion and delivery of projects within the scheduled time will have impact of additional cost of construction and maintenance, Appointment and retention of quality contractors and, Increasing raw material prices

Your Company resolve these issues in a regular interval and initiate remedial measures to mitigate the risk.

Policy and regulatory risk: Any changes in government polices and regulations affect the real estate industry immediately. An unfavourable changes in the government polices and regulations can adversely impact the performance of the Company.

Apart from the above, the Company is exposed to other risks such as credit risk, market risk and interest rate risk. These risks are monitored and mitigated under the oversight of senior management personnel of the concerned department by way of careful fund utilisation and planning.

Financial performance with respect to operational performance

The Company's total Income is Rs.144 crores during the financial year 2011-12 as against Rs.135 crores in the previous year 2010-11. The Profit after tax (PAT) for the financial year is Rs.2.13 crores compared to previous year profit of Rs.2.51 crores. On consolidated basis, the total income of your Company and its subsidiaries and Joint venture stands at Rs.225.74 crores and consolidated profit after tax (PAT) stood at Rs. 4.84 crores as compared to the previous year consolidated PAT of Rs.0.90 crores recording a five times increase in the consolidated profit. The earnings per share (EPS) basic and diluted stands at Rs.2.48 considering the total equity capital of Rs.8.60 crores (86,00,000 equity shares of Rs.10/- each) as on 30th September, 2012. The Board has recommended final dividend of 10% (Rs.1/- per share) for the financial year end, 30.09.2012.

Your Company is one of the few Companies in the real estate development industry in India with the experience of successfully serving consumers as well as businesses.

Review of Projects:

The Project "Villa Viviana" under the SPV, Escapade Real Estate Private Limited of 45 acres approximately, located at Maraimalai Nagar, sub-urban of Chennai, which is a Joint venture between your Company and J P Morgan India Property Fund Mauritius Company of 50:50 equity participation is progressing well. The 1st phase of the project comprises 161 Villas out of which 140 villas had been sold. The 2nd phase comprises plot sale.

The Project "Green Wood" under the SPV, Arihant Unitech Realty Projects Limited of 39.665 acres located at Navalur village in the sub-urban of Chennai is a joint venture between your Company and Unitech Limited of 50:50 equity participation. This project is for development and selling of plots of different sizes. During the year 124 plots have been sold.

The project "Arihant Frangipani" a residential complex containing 332 flats of 2 BHK and 3 BHK category. The Project is located at Chennai sub-urban is under construction.

The Project "Arihant Panache" a residential complex containing 72 flats of 2 BHK and 3 BHK category having high end value. The project is located in Arumbakkam, Chennai is under construction.

The Project "North Town Estates" a joint venture between your Company and Unitech Ltd on a 50:50 partnership to develop a 70 acres land owned by PVP Ventures Ltd. This Venture is a mixed development and is under construction.

The Project "Arihant `esta", a joint venture project comprising of 1,94,145 Sq ft. to be developed as residential apartment of 140 units. The project was launched during the year. The project is located in Mugappair, Chennai.

Future Projects in pipeline:

A Residential project to be launched at Nandambakkam in Chennai City.

Internal Control System and their Adequacy

The internal control systems are supplemented by periodic review by the Management. The Audit Committee of Directors also provides necessary guidance for internal control and checking mechanism and reviews the quarterly and annual accounts of the Company before they are submitted to the Board for their approval and adoption so as to ensure adequate internal control system.

Human Resources

Arihant is continuing to maintain a positive, cordial and healthy corporate and employee relationships.

Cautionary Statement

Statements in this Management Discussion and Analysis Report are based upon data available with the Company and on certain assumptions having regard to the economic conditions, government policies, political developments within and outside the country. The management is not in a position to guarantee the accuracy of the assumptions and the projected performance of the Company in future. It is, therefore, cautioned that the actual results may differ from those expressed or implied herein.

Annexure -3**Non -Mandatory Requirements**

Compliance of non- mandatory requirements

(I) Non Executive Chairman:

The Company has been maintaining executive Chairman. Hence this provision is not applicable.

(II) Tenure of Independent Directors

No Maximum tenure has been specifically determined for the Independent Directors

(III) Remuneration Committee

The Company has constituted Remuneration Committee w. e. f 28.01.2010. The details about the Committee given in the Report on Corporate Governance.

(IV) Shareholders Rights:

The company has published the quarterly un audited financial results and yearly audited financial results in English and regional language newspaper for circulation in the district in which registered office of the Company situated. The Company has also posted the same in the Company's website www.arihantfoundations.com. Annual report containing Balance Sheet and Profit and Loss account is also sent to Individual shareholders of the Company.

(V) Postal Ballot:

There was no such transaction of business which fall under the purview of Section 192A of the Companies Act, 1956, which require passing of the resolution by postal ballot.

(VI) Audit Qualifications

The remarks/ comments of the Auditors on the financial statements, if any, has/ have been suitably clarified/ explained in the Notes to the Accounts/ Directors' Report.

(VII) Training of Board Members

The Board of Directors of the Company is continuously briefed, by the Managing Director of the Company with respect to developments and performance of the Company so as to update them and to seek their suggestions in the relevant areas.

(VIII) Mechanism of Evaluation of Non Executive Directors

The Board evaluates its Non- Executive Directors on the basis of their individual contribution towards achievement of goal of the Organization.

(IX) Whistle Blower Policy

The Company has not implemented whistle blower policy as it is a non mandatory requirement. However it has a policy for employees to have an open access to the respective functional heads, Head- HRD, Managing Director and other Key management personnel.

Annexure- 4**AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE**

To,
The Shareholders of Arihant Foundations & Housing Limited

We have examined the compliance of conditions of Corporate Governance by Arihant Foundations & Housing Limited for the year ended on 30th September 2012, as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchanges in India.

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 the above mentioned Listing Agreement.

We state that no investor complaints were pending for a period exceeding one month against the Company as certified by the Registrars and Share Transfer Agents of the Company based on the records maintained by them.

For B.P.JAIN & CO.
CHARTERED ACCOUNTANTS
FIRM REG NO-050105S

Sd/-
CA Devendra Kumar Bhandari
Partner
Membership no. 208862

Place: Chennai
Date: 13.02.2013

AUDITOR'S REPORT

To
The Members,
Arihant Foundations & Housing Limited

1. We have audited the attached balance sheet of M/s Arihant Foundations And Housing Limited ("the Company") as at 30th September 2012, and also the annexed profit and loss account of the Company for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with 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 ("the Order"), as amended by the Companies (Auditor's Report) (Amendment) Order 2004, issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

4. Further to our comments above, we report that:

i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;

ii) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;

iii) The balance sheet and profit and loss account dealt with by this report are in agreement with the books of account;

iv) In our opinion, the balance sheet, and profit and loss account dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956, except Accounting Standard (15) and in case of HUDCO the company has not accrued interest amounting to Rs. 11, 01, 67,851.50/- for the period from 1/07/2004 to 30/09/2012.

v) On the basis of written representations received from the directors, as on 30th September 2012, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 30th September 2012 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;.

vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view except as mentioned in note (iv) above are in conformity with the accounting principles generally accepted in India:

(a) In the case of the balance sheet, of the state of affairs of the Company as at 30th September 2012 and

(b) In the case of the profit and loss account, of the profit of the Company for the year ended 30th September 2012.

(c) In the case of cash flow statement, of the cash flows for the year ended on that date.

For B.P.JAIN & CO.
CHARTERED ACCOUNTANTS
FIRM REG NO-050105S

Sd/-
CA Devendra Kumar Bhandari
Partner
Membership no. 208862

Place: Chennai
Date: 29.11.2012

ANNEXURE**Re: M/S ARIHANT FOUNDATIONS AND HOUSING LIMITED**

Referred to in paragraph 3 of our report of even date,

On the basis of such checks we considered appropriate and according to the information and explanations given to us during the course of audit, we state that:

(i) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets. None of the assets have been revalued during the year.

(b) The fixed assets have been physically verified by the management at reasonable interval and no material discrepancies are noticed on such verification.

(c) The company has not disposed off substantial part of fixed assets during year so as to affect its going concern status.

(ii) (a) The stock of construction materials has been physically verified at periodic intervals and no significant discrepancies has been noticed on such verification during the year.

(b) The procedure of physical verification of stock of building material, followed by the management is reasonable and adequate in relation to the size of the company and nature of its company.

(c) The company does not maintain stock records of raw materials. We are of the opinion that the valuation of the stock of building is as per normally accepted accounting principles. The company has not identified slow moving building materials separately.

(iii) (a) The company has granted during the year loans of unsecured in nature to companies, firms or other parties listed in the register maintained under section 301 of the companies Act 1956, and the details are as follows

No of parties : (9)

Maximum amount involved in the transaction :

Rs. 68,15,13,649/-

Closing balance of the loan is Rs. 57,20,31,013/-

(b) The rate of interest and other terms and conditions of loans given by the company, secured and unsecured are not prima facie prejudicial to the interest of the company.

(c) The receipt of principal and interest thereon are regular.

d) Where the overdue amount exceeds rupees one lakh the company has taken necessary steps to recover the amount and interest thereon.

e) The company has taken loans, secured or unsecured from companies, firms or other parties listed in the register maintained under section 301 of the companies Act 1956 and the details are as follows

No of parties : (9)

Maximum amount involved in the transaction :

Rs. 21,69,58,069/-

Closing balance of the loan is Rs. 19, 91,86,472/-

(f) The rate of interest and other terms and conditions of the loan taken by the company, secured and unsecured are not prima facie, prejudicial to the interest of the company.

(g) The repayment of principal and interest thereon to the concerned parties is also regular. During the year the company has repaid loans to the extent of Rs 24, 67, 91,669/-.

(iv) The company has an adequate internal control procedure commensurate with the size and nature of business for the purchase of stores and raw materials, plant & machinery, equipment and other assets for the sale of finished stocks.

(v) (a) In our opinion and according to the information and explanations given by the management, contracts and arrangements referred to in section 301 of the Companies Act, 1956 have been entered in the register required to be maintained under that section.

(b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements entered in the register maintained under section 301 of the companies Act 1956 and exceeding the value

of rupees five lakhs in respect of any party during the year, have been made at a price which are reasonable having regard to the prevailing market prices at the relevant time.

(vi) The Company has accepted fixed deposits and in our opinion and according to the information and explanation given to us, the directives issued by the Reserve Bank of India and provisions of Section 58A,58AA and other relevant provisions of the Companies Act, 1956 and rules framed there under, where applicable, have been duly complied with except in case of unsecured loans others borrowed by the company which fall within the definition of deposits defined u/s 2(b) of companies act amounting to Rs 2,62,02,436. We are informed that no order has been passed by the company Law Board or National Company Law Tribunal or Reserve Bank of India or any court or any other tribunal.

(vii) In our opinion the company has an internal audit system commensurate with size and nature of its business.

(viii) We have broadly reviewed the cost records maintained by the company pursuant to the rules made by the Central Government for the maintenance of cost records by the Company under section 209 (1) (d) of the Companies Act, 1956 and are of the opinion that prima facie the cost records have been maintained by the company. We have however not made a detailed examination of the same as the same has been certified by a cost accountant.

(ix) According to the information and explanations given to us and on the basis of our examination of books of account, in our opinion

a) The Company is regular in depositing undisputed statutory dues including, Investor Education and protection fund, Income Tax, Wealth Tax, Service Tax, Cess, Sales tax, VAT, Excise duty and any other material statutory dues during the year with the appropriate authorities. Except the company did not remit the employees provident fund due in time.

b) According to the information and explanation given to us there are dues in respect of following taxes on account of dispute, which are as follows:-

INCOME TAX

| Income tax A.Y. | Nature of due | Amount | Pending before Which Authority |
|-----------------|---------------|-------------|--------------------------------|
| 1999-2000 | Regular | Rs76,38,692 | CIT Appeals |

SERVICE TAX

| SI No | Pertaining to Period | Amount ₹ | Pending Before Authority |
|-------|----------------------------|-------------|--------------------------|
| 1 | October 2004 to March 2007 | 23,16,081/- | (Madras High Court) |

The company has filed a writ against the above service tax levied by the department and the penalty levied by the service tax department to the tune of Rs.70 lakh vide court case no.6562 / 2011 before the honorable madras High Court and the high court has granted a stay until further orders.

(x) The company has no accumulated losses as at September 30, 2012 and it has not incurred cash losses in the financial year ended on that date or in the immediately preceding financial year.

(xi) According to the records of the company examined by us and the information and explanation given to us, the Company has not defaulted in repayment of dues to any financial institution or Bank or debenture holders as at the balance sheet date. (Except in case of HUDCO, wherein the company is disputing the amount of interest payment / Principal payment and rate of interest due to non release of NOC in favor of prospective buyers vide court case No Q.A.No 78 of 2004. The company had filed contempt of court petition vide petition No 384/2004 against HUDCO for not obeying the directions of High Court. HUDCO had filed a suit in the Debt Recovery Tribunal). The company has paid a sum of the above dispute as to principal and interest thereon a sum of Rs 15,48,54,845/- was determined as principal by the Debt Recovery Tribunal. The company has paid the principal amount of Rs.15,48,54,845 to HUDCO (Rs.12,87,47,121/- AND 2,61,07,364/- as interest). The company has not accrued interest to the tune Rs 9,93,77,130.40/- as payable to

HUDCO as per the order of the Debt Recovery Tribunal Dated 8/8/2011 for the period (01/07/2004 to 26/08/2011) and further consequent interest as per recovery officer amounting to Rs1,07,90,720.70 for the period (27/08/2011 to 30/09/2012) needs to be further accounted for belated payment of (interest and incidental cost).

(xii) According to the information and explanation given to us, the company has not granted loans and advances on the basis of security by way of pelage of shares, debentures and other securities.

(xiii) The provision of any special statute applicable to a chit fund / mutual benefit fund / societies are not applicable to the company.

(xiv) In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, clause 4(xiv) of the order is not applicable.

(xv) In our opinion, and according to information and explanations given to us, the Company has not given guarantees for loans taken by others from banks or financial institutions.

(xvi) According to the information and explanations given to us and on the basis of examination of books of accounts, the company has applied term loans for the purpose for which the loans were obtained.

(xvii) According to the information and explanation given to us and on an overall examination of balance sheet of the company, we report that no funds raised for short term basis utilised for long term investment and vice versa.

(xviii) According to the information and explanations given to us the Company has not made any preferential allotment of share to the parties and companies covered in the register maintained under section 301 of the companies Act 1956, accordingly clause 4(xviii) of the order is not applicable.

(xix) The company has not issued any debentures during the year hence question of having security or registering a charge with the Registrar of Companies does not arise during the year.

(xx) The company has not raised the public issue during the year; accordingly, clause 4(xx) of the Order is not applicable to the Company.

(xxi) According to information and explanations given to us, no fraud on or by the company has been noticed or reported during the course of our audit.

For B.P.JAIN & CO.
CHARTERED ACCOUNTANTS
FIRM REG NO-050105S

Sd/-
CA Devendra Kumar Bhandari
Partner
Membershipno. 208862

Place: Chennai
Date: 29/11/2012

ARIHANT FOUNDATIONS & HOUSING LIMITED
BALANCE SHEET AS AT 30.09.2012

| | Note No. | AMOUNT AS ON | | AMOUNT AS ON | |
|---|----------|---------------|----------------------|---------------|----------------------|
| | | 30/9/2012 | | 30/9/2011 | |
| | | ₹ | | ₹ | |
| EQUITY AND LIABILITIES | | | | | |
| (1) SHARE HOLDER'S FUNDS | | | | | |
| (A) Share capital | 2 | 86,000,000 | | 86,000,000 | |
| (B) Reserves & surplus | 3 | 1,555,828,486 | | 1,534,503,180 | |
| | | | 1,641,828,486 | | 1,620,503,180 |
| (2) NON CURRENT LIABILITIES | | | | | |
| (A) Long term borrowings | 4 | 552,443,854 | | 793,584,894 | |
| (B) Deferred tax liability | 5 | 1,308,375 | | 2,451,965 | |
| (C) Long Term Provisions | 6 | 4,901,978 | | 4,014,765 | |
| | | | 558,654,207 | | 800,051,624 |
| (3) CURRENT LIABILITIES | | | | | |
| (A) Trade Payables | 7 | 395,273,519 | | 335,565,523 | |
| (B) Other current liabilities | 8 | 771,936,630 | | 622,429,340 | |
| (C) Short term provisions | 9 | 23,450,000 | | 26,277,116 | |
| | | | 1,190,660,149 | | 984,271,979 |
| TOTAL | | | 3,391,142,842 | | 3,404,826,783 |
| ASSETS | | | | | |
| (1) NON CURRENT ASSETS | | | | | |
| (A) FIXED ASSETS | | | | | |
| I- Tangible assets | 10 | 132,675,113 | | 134,504,624 | |
| II- Intangible assets | | 647,719 | | 937,469 | |
| (B) Non-current investment | 11 | 102,135,290 | | 102,235,290 | |
| | | | 235,458,122 | | 237,677,383 |
| CURRENT ASSETS | | | | | |
| (A) Inventories | 12 | 722,735,335 | | 550,038,397 | |
| (B) Trade receivables | 13 | 623,316,343 | | 749,642,951 | |
| (C) Cash and cash equivalents | 14 | 90,938,105 | | 41,351,491 | |
| (D) Short term loans and advances | 15 | 804,367,457 | | 912,673,783 | |
| (E) Other current assets | 16 | 914,327,480 | | 913,442,778 | |
| | | | 3,155,684,720 | | 3,167,149,400 |
| TOTAL | | | 3,391,142,842 | | 3,404,826,783 |
| Significant accounting policies and notes to financial statements | (1 - 34) | | | | |

The accompanying notes are an integral part of the financial statements

As per our attached report of even date
For **B.P. Jain & Co.**
Chartered Accountants
FIRM REG NO-050105S
sd/-

CA Devendra Kumar Bhandari
Partner
Membership No.: 208862

CHENNAI
29.11.2012

For and on behalf of board of directors
For **Arihant Foundations & Housing Limited**

sd/-
Kamal Lunawath
Managing Director

sd/-
Vimal Lunawath
Wholetime Director

sd/-
Kishore Kumar Sahoo
Company Secretary

ARIHANT FOUNDATIONS & HOUSING LIMITED STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 30.09.2012

| | NOTE NO | AMOUNT AS ON 30.09.2012 ₹ | AMOUNT AS ON 30.09.2011 ₹ |
|---|----------|---------------------------------|---------------------------------|
| INCOME | | | |
| (A) Revenue from operations | 17 | 1,335,270,456 | 1,178,909,960 |
| (B) Other income | 18 | 103,983,720 | 167,232,856 |
| TOTAL REVENUE | | 1,439,254,176 | 1,346,142,816 |
| EXPENSES | | | |
| (A) Construction and project expenses | 19 | 1,225,946,921 | 1,159,298,106 |
| (B) Employees benefit expenses | 20 | 14,450,491 | 14,689,329 |
| (C) Finance cost | 21 | 82,082,955 | 74,762,812 |
| (D) Depreciation and amortization | 22 | 5,635,081 | 5,391,673 |
| (E) Other expenses | 23 | 55,610,465 | 58,077,637 |
| TOTAL EXPENSES | | 1,383,725,913 | 1,312,219,557 |
| Profit before Exceptional and Extraordinary items | | 55,528,263 | 33,923,259 |
| Exceptional items | | (28,003,796) | - |
| Profit before Tax | | 27,524,467 | 33,923,259 |
| Tax Expense | | | |
| a. Current Tax | | 7,342,750 | 10,750,000 |
| b. Deferred Tax Charge / (Credit) | | (1,143,590) | (1,982,278) |
| PROFIT FOR THE PERIOD | | 21,325,307 | 25,155,537 |
| Earning per share (Basic) | 27 | 2.48 | 2.93 |
| Earning per share (Diluted) | | 2.48 | 2.93 |
| Significant accounting policies and notes to financial statements | (1 - 34) | | |

The accompanying notes are an integral part of the financial statements

As per our attached report of even date

For **B.P. Jain & Co.**

Chartered Accountants

FIRM REG NO-050105S

sd/-

CA Devendra Kumar Bhandari

Partner

Membership No.: 208862

For and on behalf of board of directors

For **Arihant Foundations & Housing Limited**

sd/-

Kamal Lunawath
Managing Director

sd/-

Vimal Lunawath
Wholetime Director

sd/-

Kishore Kumar Sahoo
Company Secretary

CASH FLOW STATEMENT FOR THE YEAR ENDED 30.09.2012

| PARTICULARS | 30.09.2012 ₹ | 30.09.2011 ₹ |
|---|------------------------|------------------------|
| A.CASH FLOW FROM OPERATING ACTIVITIES | | |
| Net Profit/Loss Before Tax and Extraordinary Items | 27,524,467 | 33,923,259 |
| Adjustments for : | | |
| Depreciation | 5,635,081 | 5,391,674 |
| Miscellaneous Expenditure written off | - | 25,500 |
| Dividend received | (1,915,148) | (1,425,699) |
| Interest and Finance Income | (64,914,026) | (75,400,770) |
| Loss on sale of Fixed Assets | 27,285 | - |
| Interest and Finance Charges | 82,082,955 | 74,762,812 |
| | 20,916,147 | 3,353,517 |
| Operating Profit Before Working capital Changes | 48,440,614 | 37,276,776 |
| Adjustments for Working Capital changes | | |
| (Increase) / Decrease in Inventories | (172,696,936) | 190,545,229 |
| (Increase) / Decrease in trade receivables, loans and advances and other current assets | 233,748,230 | (94,883,290) |
| Increase in Trade Payables & other current liabilities | 209,215,285 | 150,709,796 |
| Increase in Long Term Provisions | 887,213 | 3,664,284 |
| | 271,153,792 | 250,036,019 |
| Cash From operations before Tax and Extraordinary items | 319,594,406 | 287,312,795 |
| Income Tax Paid | (1,572,542) | (5,526,922) |
| Cash From operations before Extraordinary items | 318,021,864 | 281,785,873 |
| Extraordinary Items | - | - |
| Cash flow from Operating Activities | 318,021,864 | 281,785,873 |
| B. CASH FLOW FROM INVESTING ACTIVITIES | | |
| Purchase of fixed Assets | (4,177,218) | (5,691,836) |
| Sale of fixed Assets | 634,113 | - |
| Dividend received | 1,915,148 | 1,425,699 |
| Interest received during the year | 64,914,026 | 75,400,770 |
| Purchase of Investment | - | (734,295,913) |
| Proceeds from sale of Investment | 100,000 | 734,211,047 |
| Net Cash from Investing Activities | 63,386,069 | 71,049,767 |
| C. CASH FLOW FROM FINANCING ACTIVITIES | | |
| Fresh loans taken / (Loans repaid) | (241,141,040) | (418,768,126) |
| Proceeds from issue of equity shares on conversion of warrants | - | 74,760,000 |
| Payment of Dividend | (8,597,324) | (166,646) |
| Interest & Finance Charges | (82,082,955) | (74,762,812) |
| Net Cash from Financing Activities | (331,821,319) | (418,937,584) |
| NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C) | 49,586,614 | (66,101,944) |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR | 41,351,491 | 107,453,435 |
| CASH & CASH EQUIVALENTS AT THE END OF THE YEAR | 90,938,105 | 41,351,491 |

The accompanying notes are an integral part of the financial statements

As per our attached report of even date
For **B.P. Jain & Co.**

Chartered Accountants

FIRM REG NO-050105S

sd/-

CA Devendra Kumar Bhandari

Partner

Membership No.: 208862

For and on behalf of board of directors

For **Arihant Foundations & Housing Limited**

sd/-

Kamal Lunawath

Managing Director

sd/-

Vimal Lunawath

Wholetime Director

sd/-

Kishore Kumar Sahoo

Company Secretary

NOTES TO FINANCIAL STATEMENTS-STANDALONE**COMPANY OVERVIEW**

The company, Arihant Foundations and Housing Ltd was incorporated on 6th March, 1992. The Company is engaged in the business of real estate development of residential, commercial complexes and IT Parks.

SIGNIFICANT ACCOUNTING POLICIES**A. BASIS OF PREPARATION**

a) The financial statements have been prepared under the historical cost convention in accordance with the generally accepted accounting principles in India.

b) Accounting policies not specially referred to otherwise are consistently followed throughout the period under audit and in consonance with the generally accepted accounting principles and provisions.

c) During the year ended 30th September, 2012 the Revised Schedule VI notified under the Companies Act 1956, has become applicable to the company, for the preparation and presentation of its financial statements. The adoption of Revised Schedule VI does not impact the recognition and measurement principles followed by the company for the preparation of financial statements. However it has significant impact on the presentation and disclosures made in the financial statements. The company has also reclassified the previous year figures in accordance with the requirements applicable in the current year.

B. USE OF ESTIMATES

The preparation of financial statement in conformity with generally accepted accounting policies requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at date of the financial statements and the reported accounts of revenues and expenses for the years presented. Although these estimates are based upon Management's best knowledge of current events and actions, actual results could differ from these estimates.

C. FIXED ASSETS AND DEPRECIATION

a) The fixed assets are stated at cost less accumulated depreciation and impairment losses, if any. Cost includes all related expenses incurred up to the date the assets are put to use.

b) Depreciation on fixed assets is provided on straight line method as per rate and manner prescribes in schedule-XIV of the companies Act 1956. The depreciation has been provided at 100% on the Assets purchased during the year the cost of which is less than Rs 5000/-.

D. INTANGIBLES AND AMORTIZATION

Intangible assets are recognized when it is probable that future economic benefits that are attributable to these assets will flow to the company and the cost of the asset can be measured reliably.

Intangible assets (acquired or developed in-house) are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated depreciation and accumulated impairment losses, if any.

E. IMPAIRMENT OF ASSETS

Management at each balance sheet date assesses using internal sources whether there is an indication that an asset or group of assets or a cash generating unit as the case may be, is impaired. Impairment occurs where the carrying value exceeds the higher of value in use represented by present value of future cash flows expected to arise from the continuing use of the asset and its realizable value. The impairment asset is charged off to statement of profit and loss.

F. INVESTMENTS

Trade investments are those made to enhance the Group's business interests. Investments are classified as either current or long-term, based on the Management's intention at the time of purchase.

Long-term investments

Long-term investments are stated at cost. However, provision is made for diminution in the value of the asset, which is other than temporary.

Quoted

The company holds investment in quoted securities. They are classified as long-term as the Management intends to hold the same for a period of more than twelve months. These investments are classified as non-trade.

Unquoted

The company holds investment in unquoted securities of its subsidiaries, joint ventures and associates. These investments are classified as trade.

Current investments

Current investments are carried at the lower of cost and fair value.

G. INVENTORIES**a) Raw materials and consumables**

The cost of inventories comprise of purchase cost and conversion cost, if any.

b) Work -in-progress

Costs generally include cost of land, construction costs, job work allocated borrowing costs and other costs that are attributable to project and such other costs as are specifically chargeable to the project. Work-in-progress are valued at cost less cost of sales.

c) Finished stock

Finished stock consists of completed real estate projects which are unsold at the end of the financial year. It also includes cost of finished stock purchased from customers for the purpose of sale.

H. BORROWING COST

Borrowing cost that are directly attributable to the acquisition or construction or development of qualifying assets of the company are capitalized until the time all substantial activities necessary to prepare the qualifying assets for the intended use are complete. A qualifying asset is one that necessarily takes substantial period of time to get ready for its intended use or sale.

Borrowing cost that are attributable to any work-in-progress, qualifying land advances as well as capital work-in-progress are charged to the respective qualifying

project. All other borrowing costs, not eligible for inventorisation or capitalization are charged to revenue in the year in which they are incurred.

I. REVENUE RECOGNITION**i) Construction Contracts**

In construction contracts, revenue is recognized on percentage of completion method. The revenue is recognized on the basis of the Accounting Standard and as prescribed by Institute of Chartered Accountants of India.

Revenue on sale of land is recognized upon enter in to contract with the customer in the purchase of the said undivided share of land. The revenue also recognized at the time of registration of sale deed or completion of the project whichever is earlier.

ii) Revenue from lease rentals and related income

Lease income is recognized on actual basis as per the Contract.

iii) Interest Income

Revenue is recognized on a time proportion basis taking into account the amount outstanding and the rate applicable on daily basis. Interest is recognized on actual basis of accounting.

iv) Dividend Income

Dividend income is recognized when the right to receive the same is established or the receipt of the same whichever is earlier.

J. FOREIGN EXCHANGE TRANSACTIONS

The foreign exchange transaction recorded, on initial recognition in the reporting currency, by applying to the foreign currency amount, the prevailing exchange rate, as at the date of transaction.

K. TAXES ON INCOME

Tax expense comprises of current tax and deferred tax.

Current tax is measured at the amount expected to be paid to the tax authorities, using the applicable tax rates and tax laws that are enacted or substantially enacted.

Deferred Tax is recognized on timing differences, being the differences between taxable income and the accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax assets, subject to consideration of prudence, are recognized and carried forward, only to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. The tax effect is calculated on the accumulated timing difference at the year end, based on the tax rates and laws enacted or substantially enacted on the balance sheet date. In situations where the company has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognized only if there is virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax asset can be realized. They can be realized against future taxable profits.

L. EMPLOYEE BENEFITS

Liability for employee benefits, both short and long term, for present and past services which are due as per the terms of employment and as required by law are recorded in accordance with Accounting Standard (AS) 15 (Revised) "Employee Benefits" issued by the Institute of Chartered Accountants of India.

i) Gratuity

Gratuity is a defined benefit plan. Liability for gratuity in respect of past services are provided for based on the actuarial valuation carried out annually as at the balanced sheet date by an independent actuary using the Projected Unit Credit (PUC) method.

ii) Provident Fund

The company's contribution to Provident fund is considered as a defined contribution plan. Company's contribution to provident fund is charged to the statement of profit and loss when the contribution is due.

M. PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Provisions are recognized in respect of liabilities which can be measured only by using a substantial degree of estimation when:

- a) the company has a present obligation as a result of past event;
- b) a probable outflow of resources embodying economic benefits will be required to settle the obligation; and
- c) the amount of obligation can be reliably estimated

Re-imbursment expected in respect of expenditure required to settle a provision is recognized only when it is virtually certain that the reimbursement will be received.

Contingent liability is disclosed in the case of:

- a) a present obligation arising from a past event, when it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation.
- b) a possible obligation, that arises out of past events and the existence of which will be confirmed only by one or more uncertain future events unless the probability of outflow of resources is remote.

Contingents assets are neither recognized nor disclosed. However, when realization of income is virtually certain, related asset is recognized.

N. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash in hand and at bank and short-term investments with an original maturity of three months or less. Cash flow statement is prepared using indirect method.

O. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period. The weighted average number of equity shares outstanding during the period are adjusted for events of bonus issue, share split and share warrants conversion.

Diluted earnings per share is calculated by adjusting net profit or loss for the period attributable to equity shareholders and the weighted number of shares outstanding during the period for the effect of all dilutive potential equity shares.

ARIHANT FOUNDATIONS & HOUSING LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30.09.2012

| PARTICULARS | NOTE NO | AMOUNT AS ON 30.09.2012 ₹ | | AMOUNT AS ON 30.09.2011 ₹ | |
|--|----------|---------------------------------|----------------------|---------------------------------|----------------------|
| SHARE CAPITAL | 2 | | | | |
| AUTHORISED 1,00,00,000 equity shares of Rs.10/- each | | | 100,000,000 | | 100,000,000 |
| ISSUED, SUBSCRIBED & PAID UP 86,00,000 equity shares of Rs.10/- each fully paid up | | | 86,000,000 | | 86,000,000 |
| Reconciliation of No of Shares outstanding at the beginning and end of the reporting year | | | | | |
| | | No.s | Amount in ₹ | No.s | Amount in ₹ |
| Opening balance of number of Equity Shares | | 8,600,000 | 86,000,000 | 8,600,000 | 86,000,000 |
| Changes during the year | | - | - | - | - |
| Closing balance of number of Equity Shares | | 8,600,000 | 86,000,000 | 8,600,000 | 86,000,000 |
| SHAREHOLDERS HOLDING MORE THAN 5% OF THE TOTAL SHARE CAPITAL | | NO OF SHARES | % HELD | NO OF SHARES | % HELD |
| Smt. Snehalatha Lunawath | | 1,407,000 | 16.36 | 1,407,000 | 16.36 |
| Smt. S. Jayalakshmi | | 796,202 | 9.26 | 796,202 | 9.26 |
| Mr. Kamal Lunawath* | | 749,100 | 8.71 | 749,100 | 8.71 |
| Mr. Vimal Lunawath* | | 696,400 | 8.10 | 696,400 | 8.10 |
| Taj Foundation Private Limited | | 690,000 | 8.02 | 690,000 | 8.02 |
| Ocean Dial Asset Management - Limited A/c ICGQ Limited | | 592,400 | 6.89 | 592,400 | 6.89 |
| *2,15,000 Shares each of Kamal Lunawath and Vimal Lunawath are under lock-in until 15.03.2013. | | | | | |
| RESERVES & SURPLUS | 3 | | | | |
| SECURITIES PREMIUM RESERVE | | | | | |
| Opening Balance | | 570,650,000 | | 482,170,000 | |
| Add: Additions during the year (11,20,000 Equity Shares @ Rs.79/- each during 2010-2011) | | - | | 88,480,000 | |
| Closing Balance | | | 570,650,000 | | 570,650,000 |
| GENERAL RESERVE | | | | | |
| Opening Balance | | 88,308,752 | | 88,308,752 | |
| Add: Additions during the year | | - | | - | |
| Closing Balance | | | 88,308,752 | | 88,308,752 |
| SURPLUS IN THE STATEMENT OF PROFIT AND LOSS | | | | | |
| Opening Balance | | 875,544,427 | | 851,508,891 | |
| Add: Profit for the year | | 21,325,307 | | 25,155,537 | |
| Less : Appropriation made during the year | | - | | 1,120,000 | |
| Closing Balance | | | 896,869,734 | | 875,544,427 |
| | | | 1,555,828,486 | | 1,534,503,180 |
| | | 31 | | | |

| LONG TERM BORROWINGS | 4 | 30.09.2012 | | 30.09.2011 | |
|---|---|--------------------|--------------------|--------------------|--------------------|
| | | Current | Non - Current | Current | Non - Current |
| i) SECURED | | | | | |
| Banks | | 123,314,170 | 111,590,618 | 12,688,954 | 240,234,755 |
| Others | | | | | |
| From Related Parties | | 4,735,816 | 15,820,995 | - | 12,980,224 |
| Others | | 199,405,021 | 252,889,658 | 11,544,849 | 417,013,434 |
| Sub - Total | | 327,455,006 | 380,301,271 | 24,233,804 | 670,228,414 |
| ii) UNSECURED | | | | | |
| (A) Fixed Deposits | | - | - | 14,028,560 | - |
| (B) Intercompany Deposits | | | | | |
| - From Related parties | | - | - | 14,245,594 | - |
| - Others | | 10,000,000 | 17,860,353 | 15,300,000 | 17,860,353 |
| (C) Loan from Directors | | 7,411,815 | 132,713,611 | 31,231,741 | 85,802,412 |
| (D) Loan from Others | | - | 21,568,620 | 7,428,375 | 19,693,716 |
| Sub - Total | | 17,411,815 | 172,142,584 | 82,234,270 | 123,356,481 |
| TOTAL | | 344,866,821 | 552,443,854 | 106,468,074 | 793,584,894 |
| Intercompany deposits and other loans are repayable on demand. Intercompany deposits and some of the loans are interest-free. | | | | | |

| LONG TERM BORROWINGS | | | |
|--|--------------------|--------------------|-----------------|
| (i) SECURED | | | |
| A. FROM BANKS - TERM LOANS | | | |
| Particulars | Interest Rate P.A. | Amount Outstanding | |
| | | 30.09.2012 ₹ | 30.09.2011 ₹ |
| Secured by way of equitable mortgage on certain immovable properties, owned by the company and on receivables from the project. Further the loan has been guaranteed by way of personal guarantee of the directors of the company. Repayment - Twelve monthly installments: Eleven monthly installments of Rs.2 Crores commenced from 9/4/2012 and one monthly installment of Rs.3 Crores. | 15% | 104,925,477 | 137,545,360 |
| Secured against the vehicle for which the loan has been taken. Repayment - Thirty five monthly installments of Rs.22,675/- starting from 1-4-2012. | 10.89% | 575,880 | - |
| Secured against the vehicle for which the loan has been taken. Repayment - Thirty six monthly installments of Rs.22,880/- starting from 1-4-2012. | 10.89% | 598,550 | - |
| Secured by way of equitable mortgage on certain immovable properties, owned by company. Further the loan has been guaranteed by way of personal guarantee of the managing director of the company. Repayment - One monthly instalment of Rs.6,82,771/- and fifty nine instalments of Rs.6,79,011/-. | 15% | 25,306,900 | - |
| Secured against the vehicle for which the loan has been taken. Repayment - Two loans totalling one hundred and twenty monthly installments: sixty monthly installments of Rs.35,745/- for each loan, starting from 1-9-2011. | 10.76% | 2,685,085 | 3,222,286 |
| Secured against the future rental incomes for which the loan has been taken. Repayment - One hundred and thirteen monthly installments of Rs.10,23,984/- starting from 10-8-2011. | 13.50% | 60,666,153 | 64,360,226 |

| Particulars | Interest Rate P.A. | Amount Outstanding | |
|---|--------------------|--------------------|-------------------|
| | | 30.09.2012 ₹ | 30.09.2011 ₹ |
| Secured by way of equitable mortgage on certain immovable properties. Further the loan has been guaranteed by way of personal guarantee of the directors of the company. Repayment - Sixty two Monthly Instalments of Rs.11,03,525/- starting from 10-08-2011. | 13.50% | 40,146,742 | 47,334,196 |
| TOTAL | | 234,904,787 | |
| B. OTHERS - TERM LOANS | | | |
| From related Parties Secured against the asset / property for which the loan has been obtained. | 12% to 18% | 20,556,811 | 12,980,224 |
| From Others | | | |
| Secured by way of equitable mortgage on certain immovable properties, owned by the company Further the loan has been guaranteed by way of personal guarantee of the directors of the company. Repayment - sixty monthly installments of Rs.4,07,194/- starting from 1-11-2011. | 14% | 15,585,120 | - |
| Secured against the immovable property for which the loan has been taken. Repayment - Two hundred and sixty two monthly installments of Rs.79,589/- starting from 10-3-2008. | 13.25% | 6,458,548 | 6,541,105 |
| Secured by way of equitable mortgage on certain immovable properties, owned by associate company, Heirloom Real Estate (P) Ltd and by hypothecation of certain project receivables. Further the loan has been guaranteed by way of personal guarantee of the directors of the company. Repayment - Twenty five monthly installments of Rs. 40 Lakhs starting from 15-05-2012. | 15% | 80,000,000 | - |
| Secured by way of equitable mortgage on certain immovable properties, owned by associate company, Heirloom Real Estate (P) Ltd and by hypothecation of certain project receivables. Further the loan has been guaranteed by way of personal guarantee of the directors of the company. Repayment - Fifteen monthly instalments of Rs.20 Lakhs, starting from 15-10-2012. | 15% | 30,000,000 | |
| Secured by way of equitable mortgage on immovable properties, owned by the company and its associate Arihant Hospitality (Chennai) Private Ltd. Further the loan has been guaranteed by way of personal guarantee of the directors of the company. Two monthly installments of Rs.1,10,12,171/- starting from 5-11-2011 and Twelve monthly instalments of Rs.1,10,40,926/- starting from 5-1-2013 | 16.25% | 32,245,542 | - |
| Secured by way of equitable mortgage on immovable properties, owned by the company and its associate Arihant Hospitality (Chennai) Private Ltd. Further the loan has been guaranteed by way of personal guarantee of the directors of the company. Repayment - One Monthly Instalment of Rs.43,44,819/- and thirteen monthly installments of Rs.36,93,976/-. | 16.25% | 23,230,408 | - |
| Secured by way of equitable mortgage on certain immovable properties, owned by the company and hypothecation of certain project receivables. Further the loan has been guaranteed by way of personal guarantee of the directors of the company. Repayment - Nine monthly installments of Rs.88,98,698/- starting from 5-10-2012. | 16% | 75,000,000 | - |

| Particulars | Interest Rate P.A. | Amount Outstanding | |
|--|--------------------|--------------------|-----------------|
| | | 30.09.2012 ₹ | 30.09.2011 ₹ |
| Secured by way of equitable mortgage on certain immovable properties, owned by the company and hypothecation of certain project receivables. Further the loan has been guaranteed by way of personal guarantee of the managing director of the company. Repayment - Sixty one monthly installments of Rs.17,20,917/- starting from 1-8-2011. | 16.50% | 59,284,723 | 69,241,583 |
| Secured by way of equitable mortgage on certain immovable properties, owned by the company. Repayment - One hundred and twenty six monthly installments of Rs.3,22,670/- starting from 15-02-2012. | 16.50% | 19,461,427 | - |
| Secured by way of equitable mortgage on certain immovable properties, owned by the company. Repayment - sixty two monthly instalments of Rs.7,29,542/- starting from 1-02-2012. | 16.50% | 27,528,910 | - |
| Secured against the asset / property for which loan has been obtained | 12% to 18% | 83,500,000 | 66,200,000 |
| TOTAL | | 452,294,678 | |
| GRAND TOTAL | | 707,756,277 | |

| PARTICULARS | NOTE NO | AMOUNT AS ON 30.09.2012 | | AMOUNT AS ON 30.09.2011 | |
|--|----------|-------------------------|--------------------|-------------------------|--------------------|
| | | ₹ | | ₹ | |
| DEFERRED TAX | 5 | | | | |
| Deferred Tax Liability | | 2,451,965 | | 4,434,243 | |
| LESS:- Deferred Tax Asset provided during the year | | 1,143,590 | | 1,982,278 | |
| | | | 1,308,375 | | 2,451,965 |
| LONG TERM PROVISIONS | 6 | | | | |
| Provisions for employee benefits | | | 4,901,978 | | 4,014,765 |
| TRADE PAYABLES | 7 | | 395,273,519 | | 335,565,523 |
| OTHER CURRENT LIABILITIES | 8 | | | | |
| Advance from Cutomers & for Projects | | 352,631,838 | | 387,977,023 | |
| Interest Accrued but not due | | 4,511,413 | | 4,188,461 | |
| Current maturities of Long term Loans (Ref Note No. 4) | | 344,866,821 | | 106,468,074 | |
| Other sundry current liabilities | | 69,926,558 | | 123,795,783 | |
| | | | 771,936,630 | | 622,429,340 |
| SHORT TERM PROVISIONS | 9 | | | | |
| Provision for Dividend | | 1,173,176 | | 9,770,500 | |
| Provision for Taxation | | 22,276,824 | | 16,506,616 | |
| | | | 23,450,000 | | 26,277,116 |

Note No. 10
FIXED ASSETS

| Name of The Asset | GROSS BLOCK | | | | DEPRECIATION | | | | NET BLOCK | |
|-------------------------------|--------------------------|---|---|------------------------|--------------------------|---|---|------------------------|--------------------|--------------------|
| | Balance As On 01.10.2011 | Additions During 01.10.2011 To 30.09.2012 | Deletions During 01.10.2011 To 30.09.2012 | Balance As At 30.09.12 | Balance As On 01.10.2011 | For The Period 01.10.2011 To 30.09.2012 | Deletions During 01.10.2011 To 30.09.2012 | Total As On 30.09.2012 | As On 01.10.2011 | As On 30.09.2012 |
| <u>i Tangible Assets</u> | | | | | | | | | | |
| Land | 17,931,721 | - | - | 17,931,721 | - | - | - | - | 17,931,721 | 17,931,721 |
| Buildings | | | | | | | | | | |
| Freehold Buildings | 90,762,170 | - | - | 90,762,170 | 11,511,044 | 1,479,289 | - | 12,990,334 | 79,251,126 | 77,771,836 |
| Leasehold Buildings | 5,795,307 | - | - | 5,795,307 | 669,765 | 90,337 | - | 760,102 | 5,125,542 | 5,035,205 |
| Furniture & Fixtures | 21,269,937 | - | - | 21,269,937 | 9,435,891 | 1,280,395 | - | 10,716,286 | 11,834,046 | 10,553,651 |
| Plant & Equipments | 12,888,397 | 643,382 | - | 13,531,779 | 4,290,832 | 628,619 | - | 4,919,451 | 8,597,565 | 8,612,328 |
| Office Equipments | 5,807,455 | 119,046 | - | 5,926,501 | 4,210,504 | 403,556 | - | 4,614,061 | 1,596,951 | 1,312,440 |
| Vehicles | 14,522,689 | 3,414,790 | 938,366 | 16,999,113 | 4,355,015 | 1,463,134 | 276,968 | 5,541,181 | 10,167,674 | 11,457,932 |
| Books | 66,269 | - | 66,269 | - | 66,269 | - | 66,269 | - | - | - |
| Total | 169,043,944 | 4,177,218 | 1,004,635 | 172,216,527 | 34,539,319 | 5,345,331 | 343,236 | 39,541,414 | 134,504,624 | 132,675,113 |
| <u>ii - Intangible Assets</u> | | | | | | | | | | |
| Computer Software | 1,782,619 | - | - | 1,782,619 | 845,149 | 289,750 | - | 1,134,899 | 937,470 | 647,720 |
| Total | 1,782,619 | - | - | 1,782,619 | 845,149 | 289,750 | - | 1,134,899 | 937,470 | 647,720 |
| Grand Total | 170,826,563 | 4,177,218 | 1,004,635 | 173,999,146 | 35,384,468 | 5,635,081 | 343,236 | 40,676,313 | 135,442,094 | 133,322,833 |
| Previous Year Values | 165,134,728 | 5,691,835 | - | 170,826,563 | 29,992,795 | 5,391,673 | - | 35,384,468 | 135,141,933 | 135,442,094 |

| PARTICULARS | NOTE NO | AMOUNT AS ON 30.09.2012 ₹ | | AMOUNT AS ON 30.09.2011 ₹ | |
|---|-----------|---|--|---|--|
| <p>NON-CURRENT INVESTMENTS</p> <p>1. UNQUOTED - TRADE</p> <p>a. INVESTMENT IN EQUITY INSTRUMENT</p> <p>i) WHOLLY OWNED SUBSIDIARIES</p> <p>Arihant Griha Limited (50,000 Equity shares of Rs.10/- Each fully paid)</p> <p>Varenya Construction Limited (50,000 Equity shares of Rs.10/- Each fully paid)</p> <p>Transparent Heights Real Estate Limited (50,000 Equity shares of Rs.10/- Each fully paid)</p> <p>Vaikunt Housing Limited (5,00,000 Equity shares of Re.1/- Each fully paid)</p> <p>ii) JOINT VENTURES</p> <p>(i) Arihant Indo African Infra Developers & Builders Pvt.Ltd. (2,03,274 Equity shares of Rs.10/- Each Fully Paid Up)</p> <p>(ii) Arihant Unitech Realty Projects Ltd. (5,00,000 Equity shares of Rs.10/- Each Fully Paid Up)</p> <p>(iii) Escapade Real Estate Pvt Ltd (11,00,000 Equity Shares of Rs.10/- Each Fully Paid Up)</p> <p>(iv) Heirloom Real Estate Pvt.Ltd. (2,500 Equity shares of Rs.10/- Each Fully Paid Up)</p> <p>(vi) North Town Estates Pvt Ltd (25,000 Equity shares of Rs.10/- Each Fully Paid Up)</p> <p>(vii) Viviana Infra Developers Pvt Ltd (10,000 Equity shares of Rs.10/- Each Fully Paid Up)</p> <p>b. INVESTMENT IN DEBENTURES</p> <p>Arihant Indo African Infra Developers & Builders Pvt Ltd (13% 8,07,345 Optionally Redeemable Convertible Debenetures of Rs.100/- Each)</p> | <p>11</p> | <p>500,000</p> <p>500,000</p> <p>500,000</p> <p>500,000</p> <p>2,032,740</p> <p>5,000,000</p> <p>11,000,000</p> <p>25,000</p> <p>250,000</p> <p>-</p> <p>80,734,500</p> | | <p>500,000</p> <p>500,000</p> <p>500,000</p> <p>500,000</p> <p>2,032,740</p> <p>5,000,000</p> <p>11,000,000</p> <p>25,000</p> <p>250,000</p> <p>100,000</p> <p>80,734,500</p> | |

| PARTICULARS | NOTE NO | AMOUNT AS ON 30.09.2012 | | AMOUNT AS ON 30.09.2011 | |
|--|-----------|-------------------------|--------------------|-------------------------|--------------------|
| | | ₹ | | ₹ | |
| 2. QUOTED - NON-TRADE (FULLY PAID AT COST) | | | | | |
| Happy Homes Profin Ltd (44800 Equity shares of Rs.10/- each Fully Paid Up) | | 1 | | 1 | |
| Hindustan Construction Company Ltd (500 Shares of Rs.45.20 Each Fully Paid Up; market Value Rs.8,975/-) | | 22,767 | | 22,767 | |
| IDBI Bank Ltd (500 Shares of Rs 155.40 Each Fully Paid Up; market value Rs.50,052/-) | | 78,100 | | 78,100 | |
| Indotech Transformers (691 Equity Shares of Rs.130/- Each Fully Paid Up; market value Rs.62,915.55) | | 89,830 | | 89,830 | |
| Tata Consultancy Servies Ltd (3600 Shares of Re.1/- Each Fully Paid up; market value Rs.46,65,240/-) | | 902,352 | | 902,352 | |
| | | | 102,135,290 | | 102,235,290 |
| Details of quoted/unquoted investments: | | | | AS ON | AS ON |
| | | | | 30.09.2012 | 30.09.2011 |
| (a) Aggregate amount of quoted investments and market value thereof | | | | | |
| Book Value | | | | 1,093,050 | 1,093,050 |
| Market Value | | | | 4,787,183 | 3,879,395 |
| (b) Aggregate amount of unquoted investments | | | | | |
| Book Value | | | | 101,042,240 | 101,142,240 |
| (c) Aggregate provision for diminution in value of investments | | | | NIL | NIL |
| <u>INVENTORIES</u> (as taken, valued and certified by the Management) | 12 | | | | |
| Raw Materials | | 1,482,652 | | 4,080,292 | |
| Work in Progress | | 507,621,074 | | 321,227,880 | |
| Finished Properties | | 213,631,607 | | 224,730,226 | |
| | | | 722,735,335 | | 550,038,397 |
| <u>TRADE RECEIVABLES</u> | 13 | | | | |
| Secured and considered good | | | | | |
| Sundry debtors outstanding for period of less than Six months | | 47,612,204 | | 74,819,554 | |
| Others | | 575,704,139 | | 674,823,397 | |
| | | | 623,316,343 | | 749,642,951 |

| PARTICULARS | NOTE NO | AMOUNT AS ON 30.09.2012 ₹ | | AMOUNT AS ON 30.09.2011 ₹ | |
|---|-----------|------------------------------|----------------------|------------------------------|----------------------|
| <u>CASH AND CASH EQUIVALENTS</u> | 14 | | | | |
| Cash in Hand | | 6,080,916 | | 5,501,459 | |
| Balance with Banks | | 2,903,103 | | 26,792,106 | |
| Other Bank balances | | | | | |
| - Deposit accounts | | 26,805,337 | | 8,654,993 | |
| - Earmarked accounts: Unpaid dividend | | 468,308 | | 402,932 | |
| Others - Mutual Funds (daily dividend) | | 54,680,441 | | - | |
| | | | 90,938,105 | | 41,351,491 |
| <u>SHORT TERM LOANS AND ADVANCES</u> | 15 | | | | |
| Advance for land | | 32,965,685 | | 34,451,565 | |
| Advance tax and others | | 54,779,775 | | 41,758,992 | |
| Other loans and advances | | 716,621,997 | | 836,463,225 | |
| | | | 804,367,457 | | 912,673,783 |
| <u>OTHER CURRENT ASSETS</u> | 16 | | | | |
| Security Deposit | | 583,285,617 | | 583,285,617 | |
| Other Deposits | | 330,716,861 | | 329,793,990 | |
| Prepaid Expenses | | 325,002 | | 363,171 | |
| | | | 914,327,480 | | 913,442,778 |
| <u>REVENUE FROM OPERATION</u> | 17 | | | | |
| Sales | | 564,052,793 | | 615,211,624 | |
| Marketing fees received | | 48,482,328 | | 9,677,363 | |
| Project management fees received | | - | | 3,982,576 | |
| Materials | | 1,482,652 | | 4,080,292 | |
| Work in Progress | | 507,621,074 | | 321,227,880 | |
| Finished Goods | | 213,631,607 | | 224,730,226 | |
| | | | 1,335,270,456 | | 1,178,909,960 |
| <u>OTHER INCOME</u> | 18 | | | | |
| Lease rentals | | 20,513,132 | | 25,554,500 | |
| Maintenance charges received | | 15,791,617 | | 13,207,134 | |
| Share of profit from firms | | - | | 48,425,205 | |
| Dividend income | | 1,915,148 | | 1,425,699 | |
| Interest received | | 64,914,026 | | 75,400,770 | |
| Profit on sale of shares | | - | | 79,219 | |
| Miscellaneous income | | 849,797 | | 3,140,330 | |
| | | | 103,983,720 | | 167,232,856 |
| <u>CONSTRUCTION AND PROJECT EXPENSES</u> | 19 | | | | |
| Cost of land | | 442,958,306 | | 363,758,976 | |
| Materials | | 66,953,668 | | 168,704,825 | |
| Labour & Sub Contract Expenses | | 528,896,357 | | 152,942,354 | |
| Other Expenses | | 187,138,591 | | 473,891,951 | |
| | | | 1,225,946,921 | | 1,159,298,106 |

| PARTICULARS | NOTE NO | AMOUNT | |
|--|-----------|-------------------|-------------------|
| | | AS ON 30.09.2012 | AS ON 30.09.2011 |
| | | ₹ | ₹ |
| <u>EMPLOYEES BENEFIT EXPENSES</u> | 20 | | |
| Staff Salary | | 14,084,958 | 14,224,221 |
| Staff Welfare | | 365,533 | 465,108 |
| | | 14,450,491 | 14,689,329 |
| <u>FINANCE COST</u> | 21 | | |
| Interest Expense | | 82,082,955 | 74,762,812 |
| <u>DEPRECIATION AND AMORTIZATION</u> | 22 | | |
| Depreciation of tangible fixed asset | | 5,345,331 | 5,170,505 |
| Amortization of intangible fixed asset | | 289,750 | 221,169 |
| | | 5,635,081 | 5,391,674 |
| <u>OTHER EXPENSES</u> | 23 | | |
| Power & Fuel | | 2,202,016 | 2,284,195 |
| Rent | | 4,564,457 | 4,992,911 |
| Contribution to Funds and defined benefit Expenses | | 2,257,097 | 694,579 |
| General Expenses | | 2,810,754 | 989,045 |
| Insurance | | 362,051 | 189,310 |
| Rates & Taxes | | 2,464,556 | 1,565,594 |
| Repairs & Office Maintenance | | 17,822,153 | 25,527,897 |
| Advertisement & Business Promotion | | 4,049,634 | 2,169,745 |
| Legal, Professional & Consultancy Charges | | 6,904,793 | 3,637,355 |
| Travelling & Conveyance | | 2,542,194 | 2,930,442 |
| Vehicle Maintenance | | 626,393 | 738,756 |
| Telephone, Postage, Printing & Stationery | | 2,261,174 | 2,384,885 |
| Miscellaneous Expenditure | | 81,552 | 25,500 |
| Donation | | 983,200 | 967,000 |
| Directors' Remuneration | | 4,407,973 | 5,069,792 |
| Directors' Fees | | 54,000 | 68,000 |
| Other Borrowing Cost | | 480,649 | 3,145,619 |
| Bank Charges | | 40,555 | 35,213 |
| Audit Fees | | | |
| - For Statutory Audit | | 337,080 | 330,900 |
| - For Tax Audit | | 165,450 | 165,450 |
| - For Income tax representation | | 165,450 | 165,450 |
| Loss on sale of fixed assets | | 27,285 | - |
| | | 55,610,465 | 58,077,637 |

24. CONTINGENT LIABILITIES, PROVISIONS AND CONTINGENT ASSETS

i) Sales tax liability, if any on works contracts carried out by the company is considered by management as not material but if any liability arises it will be recovered from customers.

ii) The income tax department has filed appeal against the order of the CIT (Appeal) before the income tax appellate tribunal for Asst Yr: 2004-2005, 2005-2006, 2007-2008 and 2009-2010

iii) Amount of service tax under dispute: Rs.23,16,081/- pertaining to period october 2004 to march 2007 (Previous year: Rs.23,16,081/- for the period october 2004 to march 2007)

iv) HUDCO has filed a counter suit against the order of DRT to increase the interest rate payable from 9%. As such, the interest liability of the company may be increased.

v) The company may receive interest on amounts paid by it for various appeals which are pending.

Notes:

1. The Company does not expect any reimbursements in respect of the above contingent liabilities.

2. It is not practicable to estimate the timing of cash outflows, if any, in respect of matters stated above pending resolution of the arbitration/appellate proceedings

25. SEGMENT REPORTING

The company is primarily in the business of real estate development and related activities including construction. Major exposure in to residential and commercial construction and development of IT parks. Further majority of the business conducted is within the geographic boundaries of India.

In view of the above, in the opinion of the Management and based on the organizational and internal reporting structure, the company's business activities as described above are subject to similar risks and returns. Further, since the business activities undertaken by the company are within India, in the opinion of the Management, the environment in India is considered to have similar risks and returns. Consequently the company's business activities primarily represent a single business segment. Similarly, this business operations in India represent a single geographical segment.

26. LEASED ASSETS

A. Operating lease taken

The company has taken buildings and office equipments on operating lease basis. The details of the same are given below:-

| | 30.09.2012 | 30.09.2011 |
|---|------------|------------|
| The total of lease payments recognized in the profit and loss account are (in ₹): | 4,477,883 | 4,341,375 |

₹

| Particulars | 30.09.2012 | 30.09.2011 |
|---|------------|------------|
| a) Not later than one year | 4,371,924 | 4,477,883 |
| b) Later than one year, but not later than five years | 6,957,500 | 11,329,424 |
| c) More than five years | - | - |

B. Operating lease given

(i) The company has given buildings on operating lease. The lease rentals are receivable by the company on a monthly basis.

| | 30.09.2012 | 30.09.2011 |
|---|-------------|------------|
| (ii) The total of lease income recognized in the profit and loss account are (in ₹): | 20,513,132 | 2,554,500 |
| (iii) Future minimum lease rentals receivable as at 31st March, 2012 as per the lease agreement as under: | | |
| Particulars | 30.09.2012 | 30.09.2011 |
| a) Not later than one year | 29,781,941 | 19,940,880 |
| b) Later than one year, but not later than five years | 114,164,316 | 20,743,699 |
| c) More than five years | 39,564,450 | 21,832,732 |

27. EARNINGS PER SHARE

| BASIC EARNINGS PER SHARE | 30.09.2012 | 30.09.2011 |
|--|------------|------------|
| a) Weighted Average number of shares considered for calculation of EPS | 8,600,000 | 8,600,000 |
| b) Net profit after tax (in ₹) | 21,325,307 | 25,155,538 |
| c) Basic earnings per share (in ₹) | 2.48 | 2.93 |
| d) Face value per share (in ₹) | 10 | 10 |
| DILUTED EARNINGS PER SHARE | 30.09.2012 | 30.09.2011 |
| a) Weighted Average number of shares considered for calculation of EPS | 8,600,000 | 8,600,000 |
| b) Net profit after tax (in ₹) | 21,325,307 | 25,155,538 |
| c) Basic earnings per share (in ₹) | 2.48 | 2.93 |
| d) Face value per share (in ₹) | 10 | 10 |

28. a) CONSERVATION OF ENERGY AND TECHNOLOGY ABSORPTION

The company does not own any manufacturing facility. Hence, the requirements pertaining to disclosure of particulars relating to conservation of energy, technology absorption as prescribed under the Companies (Disclosure of particulars in the report of

board of directors) Rules, 1988, are not applicable. However, the company has commissioned a device named power factor, which reduces the consumption of energy. The company has also taken initiative to reduce the power and fuel consumption.

b. FOREIGN EXCHANGE EARNINGS AND OUTGO

| | 30.09.2012 | 30.09.2011 |
|-------------|------------|------------|
| | ₹ in lakhs | |
| a) Earnings | - | - |
| b) Outgo* | 20.03 | 12.84 |

* Foreign Exchange outgo comprises of expenses on travelling and participating in exhibitions abroad and professional charges paid to foreign consultants

29. INTEREST IN JOINT VENTURES AND ASSOCIATES:

| Name of the Entities | Country of incorporation | Proportion of ownership interest as at | |
|--|--------------------------|--|------------|
| | | 30-09-2012 | 30-09-2011 |
| <u>JV Companies</u> | | | |
| (a) Escapade Real Estate Private Limited | India | 50% | 50% |
| (b) Arihant Unitech Realty Projects Limited | India | 50% | 50% |
| (c) Arihant Indo African Infra Developers and Builders P Ltd | India | 26% | 26% |
| (d) North town Estates Private Limited | India | 50% | 50% |
| <u>Partnership firms</u> | | | |
| a) Arihant Heirloom | India | 49.39% | 49.39% |
| b) Arihant Foundations | India | 4% | 4% |
| c) Arihant Foundations & Housing | India | 3% | 3% |
| <u>Associate Companies</u> | | | |
| Arihant Hospitality (Chennai) Private Ltd. | India | | |
| Heirloom Real Estate Private Ltd. | India | | |

The company's share of the assets and liabilities as on 31st March, 2012 and income and expenses for the year ended 31.03.2012 in respect of joint venture entities based on audited accounts are considered for consolidation as shown below :-

₹

| Particulars | 30.09.2012 | 30.09.2011 |
|---------------------------|----------------------|----------------------|
| A. ASSETS | | |
| - Non-current assets | 606,196,483 | 724,278,784 |
| - Current assets | 913,492,937 | 984,632,025 |
| TOTAL | 1,519,689,420 | 1,708,910,809 |
| B. LIABILITIES | | |
| - Non-current liabilities | 77,048,416 | 6,282,595 |
| - Current liabilities | 1,083,820,665 | 1,148,388,739 |
| TOTAL | 1,160,869,081 | 1,154,671,334 |

| | | |
|---------------------------|-------------|-------------|
| C. Contingent Liabilities | NIL | NIL |
| D. Capital commitments | NIL | NIL |
| E. Income | 822,234,501 | 719,791,421 |
| F. Expenses | 770,602,117 | 656,737,046 |

30. BENEFITS TO EMPLOYEES

As per accounting standard (AS) 15 revised, 'employee benefits', the disclosures of employee benefits are as given below:

(a) Defined contribution plans

Contributions recognized as expense for the year are as under: ₹

| Particulars | 30-09-2012 | 30-09-2011 |
|---|------------|------------|
| Employer's contribution to provident fund | 688,380 | 694,579 |

(a) Defined Benefit plans

The cost of providing gratuity are determined using the projected unit credit method, on the basis of actuarial valuation techniques, conducted at the end of the financial year.

Actuarial assumptions:

| Particulars | 30-09-2012 | 30-09-2011 |
|---|------------|------------|
| a) Mortality table - Indian assured lives | (1994-96) | (1994-96) |
| b) Discounting rate (p.a) | 8.20% | 8.00% |
| c) Rate of escalation in salary (p.a) | 10.00% | 10.00% |
| d) rate of return on plan assets | NIL | NIL |
| e) Attrition rate fixed by the enterprise | 5.00% | 10.00% |

31. RELATED PARTY DISCLOSURES

A) Name of the related party and nature of relationship where control exists

Wholly owned subsidiaries

Vaikunt Housing Limited
Arihant Griha Limited

Joint Venture Entities

Arihant Unitech Realty Projects Ltd
Arihant Indo African Infra Developers and Builders Private Limited
Escapade Real Estate Private Ltd
North Town Estates Private Limited
Arihant Foundations
Arihant Foundations & Housing
Arihant Heirloom

B) Name and relationship of related parties where transaction exists:

Wholly owned subsidiaries

Vaikunt Housing Limited
Arihant Griha Limited

Joint Venture Entities

Arihant Unitech Realty Projects Ltd
Arihant Indo African Infra Developers and Builders Private Limited
Escapade Real Estate Private Ltd.
North Town Estates Private Ltd.

Arihant Foundations
Arihant Foundations & Housing
Arihant Heirloom

Mr. Vimal Lunawath Whole time Director
Mr. Bharat Jain Whole time Director

Associates

Arihant Hospitality Chennai Pvt.Ltd
Heirloom Real Estate Pvt. Ltd.

Individuals owning directly or indirectly, an interest in the voting power of the reporting enterprise and relatives of any such individual:

Mrs. Snehalatha Lunawath
Mrs. Preethi Lunawath
Mrs. Kavita Lunawath

Key Management Personnel

| | |
|--------------------|--------------------------------|
| Name | Designation |
| Mr. Kamal Lunawath | Chairman and Managing Director |

Summary of significant related parties transactions carried out in ordinary course of business are as under:

| S. No | Description | 100% Subsidiaries | Associates/ Joint Ventures | Key management personnel | Entities, relatives of key management personnel and individuals owning directly or indirectly, an interest in the voting power of the reporting enterprise and relatives of any such individual | TOTAL Amount ₹ |
|-------|---|-----------------------------------|-------------------------------------|----------------------------------|---|-------------------------------------|
| 1. | Service rendered | - (-) | 48,482,328 (13,659,939) | - (-) | - (-) | 48,482,328 (13,659,939) |
| 2. | Interest received | 46,174,328 (-) | 10,466,728 (-) | - (-) | - (-) | 56,641,056 (-) |
| 3. | Interest paid | - (-) | - (-) | 32,154,046 (-) | - (-) | 32,154,046 (-) |
| 4. | Loans received from | - (-) | - (-) | 9,580,939 (68,832,818) | - (-) | 9,580,939 (68,832,818) |
| 5. | Loans repaid to | - (-) | - (-) | 555,458 (107,867,948) | - (-) | 555,458 (107,867,948) |
| 6. | advances received from | - (-) | 279,725,075 (573,230,969) | - (-) | - (12,980,224) | 279,725,075 (586,211,193) |
| 7. | advances repaid to | - (-) | 302,076,166 (692,334,071) | - (-) | - (2,022,320) | 302,076,166 (694,356,391) |
| 8. | advances made to | 13,760,906 (74,088,064) | - (-) | - (-) | - (-) | 13,760,906 (74,088,064) |
| 9. | advances - repayment received from | 36,325,672 (9,092,474) | - (-) | - (-) | - (-) | 36,325,672 (9,092,474) |
| 10. | Receipts for shares and warrants | - (-) | - (-) | - (28,702,500) | - (-) | - (28,702,500) |
| 11. | Remuneration paid | - (-) | - (-) | 4,857,973 (5,069,792) | - (-) | 4,857,973 (5,069,792) |
| Note: | Previous years' figures are given within brackets | | | | | |

32. The exceptional item of Rs. 2,80,03,796/- as shown in the statement of profit and loss for the year ended 30th September, 2012 represents the provision created against the interest income.

33. PREVIOUS YEAR FIGURES

Previous year figures have been regrouped, rearranged and reclassified wherever considered necessary.

34. PRIOR YEAR COMPARATIVES

Till the year ended 30th September, 2011, the company was following pre-revised schedule VI to the Companies Act 1956, for the preparation and presentation of financial statements. During the year ended 30th September, 2012, the revised schedule VI notified under the Act has become applicable to the company. The company has reclassified previous year figures to conform to this year's classification as per revised schedule VI. The adoption of revised schedule VI does not impact recognition and measurement principles followed by the company for the preparation of financial statements. However, it significantly impacts presentation and disclosures made in the financial statements. Consequently, prior year figures are not comparable to those which are as per the revised schedule VI requirements.

As per our attached report of even date

For **B.P. Jain & Co.**

Chartered Accountants

FIRM REG NO-050105S

sd/-

CA Devendra Kumar Bhandari

Partner

Membership No.: 208862

CHENNAI

29.11.2012

For and on behalf of board of directors

For **Arihant Foundations & Housing Limited**

sd/-

Kamal Lunawath

Managing Director

sd/-

Vimal Lunawath

Wholetime Director

sd/-

Kishore Kumar Sahoo

Company Secretary

STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956, RELATING TO SUBSIDIARY COMPANIES.

| Sl No. | Name of Subsidiary Company | Financial Year of the Subsidiary Company ended on | Interest of the Company in the Subsidiary Companies | | Net aggregate of Profit/ (Loss) of the Subsidiary Company so far as it concerns the members of Arihant Foundations & Housing Limited at the end of their respective financial years which are | | | |
|--------|---|---|---|-----------------------|---|---|---|---------------------------------------|
| | | | | | Dealt with in the accounts of the Company amounted to | | Not dealt with in the accounts of Company amounted to | |
| | | | | | (Rupees in Lacs) | | | |
| | | | Share holding (No. of shares) | Extent of holding (%) | For subsidiary's financial year ended | For previous financial year of subsidiary since it became subsidiary of Arihant Foundations & Housing Limited | For previous financial year of subsidiary since it became subsidiary of Arihant Foundations & Housing Limited | For subsidiary's financial year ended |
| 1. | Varenya Constructions Limited | 31.03.2012 | 50000 | 100 | Nil | Nil | 0.01 | (-) 39.65 |
| 2. | Transperent Heights Real Estate Limited | 31.03.2012 | 50000 | 100 | Nil | Nil | (-) 20.26 | (-) 19.77 |
| 3. | Arihant Griha Limited | 30.06.2012 | 50000 | 100 | Nil | Nil | 24.46 | (-) 11.47 |
| 4. | Vaikunt Housing Limited | 31.03.2012 | 500000 | 100 | Nil | Nil | (-) 0.83 | (-) 0.22 |

For and on behalf of board of directors
For **Arihant Foundations & Housing Limited**

sd/-
Kamal Lunawath
Managing Director

sd/-
Vimal Lunawath
Wholetime Director

sd/-
Kishore Kumar Sahoo
Company Secretary

CHENNAI
29.11.2012

AUDITOR'S REPORT TO THE BOARD OF DIRECTORS OF ARIHANT FOUNDATIONS & HOUSING LIMITED ON THE CONSOLIDATED FINANCIAL STATEMENTS

1. We have examined the attached Consolidated Balance Sheet of Arihant Foundations & Housing Limited and its subsidiaries as at 30th September, 2012 and the Consolidated Profit and Loss account and the consolidated Cash Flow Statement of the Company for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with 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 mis statement. 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 Accounting Standard (AS) 21, on Consolidated Financial Statements issued by the Institute of Chartered Accountants of India and on the basis of the separate audited financial statements of Arihant Foundations and Housing Limited and its subsidiaries included in the consolidated financial statements.

4. We report that on the basis of information and according to the explanation given to us, and on the consideration of the separate audit report of individual audited financial statements of the Company and its subsidiaries, we are of the opinion that the attached consolidated financial statements, read with notes thereon, 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 Arihant Foundations & Housing Limited group as at 30th September 2012,
- b) In the case of consolidated Profit and Loss Account of the consolidated results of operations of the Arihant Foundations & Housing Limited group for the year ended on that date; and
- c) In the case of the Consolidated Cash Flow Statement, of the consolidated cash flows of Arihant Foundations and Housing Limited group for the year ended on that date.

For **B.P.JAIN & CO.**
CHARTERED ACCOUNTANTS
FIRM REG NO-050105S

Sd/-
CA Devendra Kumar Bhandari
Partner
Membership No.: 208862

Place: Chennai
Date: 29.11.2012

CONSOLIDATED FINANCIAL STATEMENTS CONSOLIDATED BALANCE SHEET AS AT 30TH SEPTEMBER 2012

| Particulars | Note No | Amount As On 30.09.2012 | | Amount As On 30.09.2011 | |
|---|-----------|----------------------------|----------------------|----------------------------|----------------------|
| | | ₹ | | ₹ | |
| EQUITY AND LIABILITIES | | | | | |
| (1) SHARE HOLDER'S FUNDS | | | | | |
| (A) Share capital | 2 | 86,000,000 | | 86,000,000 | |
| (B) Reserves & surplus | 3 | 1,790,535,004 | 1,876,535,004 | 1,745,006,518 | 1,831,006,518 |
| (2) Share application money pending allotment | | | - | | 119,000,000 |
| (2) NON CURRENT LIABILITIES | | | | | |
| (A) Long term borrowings | 4 | 578,914,819 | | 1,101,436,934 | |
| (B) Deferred tax liability | 5 | 963,974 | | 2,451,965 | |
| (D) Long term provisions | 6 | 5,664,697 | 585,543,490 | 6,516,919 | 1,110,405,818 |
| (3) CURRENT LIABILITIES | | | | | |
| (A) Trade payables | 7 | 524,253,841 | | 509,390,948 | |
| (B) Other current liabilities | 8 | 1,728,007,922 | | 1,118,289,475 | |
| (C) Short term provisions | 9 | 38,875,952 | 2,291,137,715 | 26,801,266 | 1,654,481,687 |
| TOTAL | | | 4,753,216,209 | | 4,714,894,023 |
| ASSETS | | | | | |
| (1) NON CURRENT ASSETS | | | | | |
| (A) FIXED ASSETS | | | | | |
| I- Tangible assets | 10 | 354,591,458 | | 292,386,415 | |
| II- Intangible assets | | 647,719 | | 937,469 | |
| (B) Non-current investment | 11 | 83,887,759 | | 83,987,759 | |
| (C) Long-term loans and advances | 12 | 483,521,397 | 922,648,333 | 602,054,604 | 979,366,247 |
| CURRENT ASSETS | | | | | |
| (A) Inventories | 13 | 1,083,644,343 | | 1,263,000,735 | |
| (B) Trade receivables | 14 | 654,492,903 | | 780,488,929 | |
| (C) Cash and cash equivalents | 15 | 180,934,435 | | 140,850,541 | |
| (D) Short term loans and advances | 16 | 994,746,825 | | 1,130,885,169 | |
| (E) Other current assets | 17 | 916,749,370 | 3,830,567,876 | 420,302,402 | 3,735,527,776 |
| TOTAL | | | 4,753,216,209 | | 4,714,894,023 |
| Significant accounting policies and notes to financial statements | (1 to 35) | | | | |

The accompanying notes are an integral part of the financial statements

As per our attached report of even date
For **B.P. Jain & Co.**

Chartered Accountants

FIRM REG NO-050105S

sd/-

CA Devendra Kumar Bhandari

Partner

Membership No.: 208862

For and on behalf of board of directors

For **Arihant Foundations & Housing Limited**

sd/-

Kamal Lunawath

Managing Director

sd/-

Vimal Lunawath

Wholetime Director

sd/-

Kishore Kumar Sahoo

Company Secretary

**CONSOLIDATED STATEMENT OF PROFIT AND LOSS
FOR THE YEAR ENDED 30.9.2012**

| | NOTE NO | AMOUNT AS ON 30.09.2012 (Rs.) ₹ | AMOUNT AS ON 30.09.2011 (Rs.) ₹ |
|--|------------|---------------------------------------|---------------------------------------|
| INCOME | | | |
| (A) Revenue from operations | 18 | 2,171,997,775 | 1,827,755,688 |
| (B) Other income | 19 | 85,397,033 | 170,027,748 |
| TOTAL REVENUE | | 2,257,394,808 | 1,997,783,436 |
| EXPENSES | | | |
| (A) Construction and project expenses | 20 | 2,018,313,353 | 1,802,492,271 |
| (B) Employees benefit expenses | 21 | 17,859,763 | 23,386,307 |
| (C) Finance cost | 22 | 82,086,945 | 74,798,986 |
| (D) Depreciation and amortization | 23 | 6,190,101 | 6,304,794 |
| (E) Other expenses | 24 | 66,141,384 | 72,777,172 |
| TOTAL EXPENSES | | 2,190,591,546 | 1,979,759,529 |
| Profit before Exceptional and Extraordinary items | | 66,803,262 | 18,023,907 |
| Exceptional items | | - | - |
| Profit before Tax | | 66,803,262 | 18,023,907 |
| Tax Expense | | | |
| a. Current Tax | | 19,557,750 | 11,004,907 |
| b. Deferred Tax Charge / (Credit) | | (1,143,590) | (1,982,278) |
| PROFIT FOR THE PERIOD | | 48,389,102 | 9,001,278 |
| Earning per share (Basic) | 28 | 5.63 | 1.05 |
| Earning per share (Diluted) | | 5.63 | 1.05 |
| Significant accounting policies and notes to financial statements | (1 to 35) | | |

The accompanying notes are an integral part of the financial statements

As per our attached report of even date
For **B.P. Jain & Co.**

Chartered Accountants

FIRM REG NO-050105S

sd/-

CA Devendra Kumar Bhandari

Partner

Membership No.: 208862

CHENNAI / 29.11.2012

For and on behalf of board of directors
For **Arihant Foundations & Housing Limited**

sd/-

Kamal Lunawath

Managing Director

sd/-

Vimal Lunawath

Wholetime Director

sd/-

Kishore Kumar Sahoo

Company Secretary

ARIHANT FOUNDATIONS & HOUSING LIMITED

CONSOLIDATED CASHFLOW STATEMENT FOR THE YEAR ENDED 30.09.2012

| | | |
|---|----------------------|----------------------|
| A. CASH FLOW FROM OPERATING ACTIVITIES | | |
| Net Profit/Loss Before Tax and Extraordinary Items | 66,803,260 | 73,843,133 |
| Adjustments for : | | |
| Depreciation | 6,190,101 | 6,304,794 |
| Miscellaneous Expenditure written off | - | 46,500 |
| Dividend received | (1,952,959) | (1,544,831) |
| Interest and Finance Income | (22,206,628) | (75,400,770) |
| Profit from sale of shares | - | (79,219) |
| Loss on sale of Fixed Assets | 27,285 | - |
| Provision for gratuity | - | 3,974,917 |
| Interest and Finance Charges | 82,086,945 | 74,792,314 |
| | 64,144,744 | 8,093,705 |
| Operating Profit Before Working capital Changes | 130,948,004 | 81,936,838 |
| Adjustments for Working Capital changes | | |
| Decrease in Inventories | 179,356,394 | 216,239,759 |
| Increase in trade receivables, loans and advances and others current assets | (115,779,391) | (357,773,630) |
| Increase in Trade Payables & other current liabilities | 624,581,341 | 427,253,653 |
| Decrease in Long Term Provisions | (852,223) | - |
| Increase in Short Term Provisions | 9,223 | - |
| | 687,315,344 | 285,719,782 |
| Cash From operations before Tax and Extraordinary items | 818,263,348 | 367,656,619 |
| Income Tax Paid | (2,099,979) | (5,221,344) |
| Cash From operations before Extraordinary items | 816,163,370 | 362,435,275 |
| Extraordinary Items | - | (1,205,747) |
| Cash flow from Operating Activities | 816,163,370 | 361,229,528 |
| B. CASH FLOW FROM INVESTING ACTIVITIES | | |
| Purchase of fixed Assets | (68,766,791) | (9,212,740) |
| Sale of fixed Assets | 634,113 | - |
| Dividend received | 1,952,959 | 1,544,831 |
| Interest received during the year | 22,206,628 | 75,400,770 |
| Investments made | (119,000,000) | (734,295,913) |
| Proceeds from sale of Investment | 100,000 | 743,101,247 |
| Net Cash from Investing Activities | (162,873,091) | 76,538,194 |
| C. CASH FLOW FROM FINANCING ACTIVITIES | | |
| Fresh loans taken / (Loans repaid) | (522,522,115) | (456,097,696) |
| Proceeds from issue of equity shares on conversion of warrants | - | 74,760,000 |
| Increase in capital | - | 45,930,058 |
| Payment of Dividend | (8,597,324) | - |
| Interest & Finance Charges | (82,086,945) | (74,792,314) |
| Net Cash from Financing Activities | (613,206,384) | (410,199,952) |
| NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C) | 40,083,895 | 27,567,770 |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR | 140,850,541 | 113,282,770 |
| CASH & CASH EQUIVALENTS AT THE END OF THE YEAR | 180,934,435 | 140,850,541 |

The accompanying notes are an integral part of the financial statements

As per our attached report of even date

For **B.P. Jain & Co.**

Chartered Accountants

FIRM REG NO-050105S

sd/-

CA Devendra Kumar Bhandari

Partner

Membership No.: 208862

CHENNAI / 29.11.2012

For and on behalf of board of directors

For **Arihant Foundations & Housing Limited**

sd/-

Kamal Lunawath

Managing Director

sd/-

Vimal Lunawath

Wholetime Director

sd/-

Kishore Kumar Sahoo

Company Secretary

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICES:

(A) Principles of consolidation.

- The consolidated financial statements include the financial statements of parent company and its subsidiaries, joint ventures and associates.
- The consolidated financial statements have been prepared by adding, line by line, each and every item of financial statements of the parent company (Arihant Foundations and Housing Limited) and its subsidiaries and joint ventures. During the process of consolidation the inter-company balances and transaction have been eliminated fully in order to avoid the inclusion of unrealized profit and loss.
- Investments in associates have been accounted as per Accounting Standard 23 on "Accounting for Investment in Associates in Consolidated Financial Statement" as issued by the Institute of Chartered Accountants of India. The investment in associates is accounted by following the equity method of accounting as recommended by the AS 23.
- Investment in Joint ventures has been accounted as per Accounting Standard 27 on "Financial Reporting of Interests in Joint Ventures" issued by the Institute of Chartered Accountants of India. Proportional consolidation method has been adopted to account the interest in the joint ventures as recommended by the concerned Accounting Standard.
- No Goodwill / (Capital Reserve) have been recognized in the consolidated financial statements during the process of consolidation.

(B) Basis of presentation

- i) The consolidated financial statements relate to Arihant Foundations & Housing Limited and its joint venture and associates.
- ii) Notes to these consolidated financial statements are intended to serve as a means of informative disclosure to understand the consolidated position of the Companies.

A. BASIS OF ACCOUNTING

a) The financial statements have been prepared under the historical cost convention in accordance with the generally accepted accounting principles in India.

b) Accounting policies not specially referred to otherwise are consistently followed throughout the period under audit and in consonance with the generally accepted accounting principles and provisions.

c) During the year ended 30th September, 2012 the Revised Schedule VI notified under the Companies Act 1956, has become applicable to the company, for the preparation and presentation of its financial statements. The adoption of Revised Schedule VI does not impact the recognition and measurement principles followed by the company for the preparation of financial statements. However it has significant impact on the presentation and disclosures made in the financial statements. The company has also reclassified the previous year figures in accordance with the requirements applicable in the current year.

B. USE OF ESTIMATES

The preparation of financial statement in conformity with generally accepted accounting policies requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at date of the financial statements and the reported accounts of revenues and expenses for the years presented. Although these estimates are based upon Management's best knowledge of current events and actions, actual results could differ from these estimates.

C. FIXED ASSETS AND DEPRECIATION

a) The fixed assets are stated at cost less accumulated depreciation and impairment losses, if any. Cost includes all related expenses incurred up to the date the assets are put to use.

b) Depreciation on fixed assets is provided on straight line method as per rate and manner prescribes in schedule-XIV of the companies Act 1956. The depreciation has been provided at 100% on the Assets purchased during the year the cost of which is less than Rs 5000/-.

D. INTANGIBLES AND AMORTIZATION

Intangible assets are recognized when it is probable that future economic benefits that are attributable to these assets will flow to the company and the cost of the asset can be measured reliably.

Intangible assets (acquired or developed in-house) are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated depreciation and accumulated impairment losses, if any.

E. IMPAIRMENT OF ASSETS

Management at each balance sheet date assesses using internal sources whether there is an indication that an asset or group of assets or a cash generating unit as the case may be, is impaired. Impairment occurs where the carrying value exceeds the higher of value in use represented by present value of future cash flows expected to arise from the continuing use of the asset and its realizable value. The impairment asset is charged off to statement of profit and loss.

F. INVESTMENTS

Trade investments are those made to enhance the Group's business interests. Investments are classified as either current or long-term, based on the Management's intention at the time of purchase.

Long-term investments

Long-term investments are stated at cost. However, provision is made for diminution in the value of the asset, which is other than temporary.

Quoted

The company holds investment in quoted securities. They are classified as long-term as the Management intends to hold the same for a period of more than twelve months. These investments are classified as non-trade.

Unquoted

The company holds investment in unquoted securities of its subsidiaries, joint ventures and associates. These investments are classified as trade.

Current investments

Current investments are carried at the lower of cost and fair value.

G. INVENTORIES

a) Raw materials and consumables

The cost of inventories comprise of purchase cost and conversion cost, if any.

b) Work -in-progress

Costs generally include cost of land, construction costs, job work allocated borrowing costs and other costs that are attributable to project and such other costs as are specifically chargeable to the project. Work-in-progress are valued at cost less cost of sales.

c) Finished stock

Finished stock consists of completed real estate projects which are unsold at the end of the financial year. It also includes cost of finished stock purchased from customers for the purpose of sale.

H. BORROWING COST

Borrowing cost that are directly attributable to the acquisition or construction or development of qualifying assets of the company are capitalized until the time all substantial activities necessary to prepare the qualifying assets for the intended use are complete. A qualifying asset is one that necessarily takes substantial period of time to get ready for its intended use or sale.

Borrowing cost that are attributable to any work-in-progress, qualifying land advances as well as capital work-in-progress are charged to the respective qualifying project. All other borrowing costs, not eligible for inventorisation or capitalization are charged to revenue in the year in which they are incurred.

I. REVENUE RECOGNITION

i) Construction Contracts

In construction contracts, revenue is recognized on percentage of completion method. The revenue is recognized on the basis of the Accounting Standard and as prescribed by Institute of Chartered Accountants of India.

Revenue on sale of land is recognized upon enter in to contract with the customer in the purchase of the said undivided share of land. The revenue also recognized at the time of registration of sale deed or completion of the project whichever is earlier.

ii) Revenue from lease rentals and related income

Lease income is recognized on actual basis as per the Contract.

iii) Interest Income

Revenue is recognized on a time proportion basis taking into account the amount outstanding and the rate applicable on daily basis. Interest is recognized on actual basis of accounting.

iv) Dividend Income

Dividend income is recognized when the right to receive the same is established or the receipt of the same whichever is earlier.

J. FOREIGN EXCHANGE TRANSACTIONS

The foreign exchange transaction recorded, on initial recognition in the reporting currency, by applying to the foreign currency amount, the prevailing exchange rate, as at the date of transaction.

K. TAXES ON INCOME

Tax expense comprises of current tax and deferred tax.

Current tax is measured at the amount expected to be paid to the tax authorities, using the applicable tax rates and tax laws that are enacted or substantially enacted.

Deferred Tax is recognized on timing differences, being the differences between taxable income and the accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax assets, subject to consideration of prudence, are recognized and carried forward, only to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. The tax effect is calculated on the accumulated timing difference at the year end, based on the tax rates and laws enacted or substantially enacted on the balance sheet date. In situations where the company has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognized only if there is virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax asset can be realized. They can be realized against future taxable profits.

L. EMPLOYEE BENEFITS

Liability for employee benefits, both short and long term, for present and past services which are due as per the terms of employment and as required by law are recorded in accordance with Accounting Standard (AS) 15 (Revised) "Employee Benefits" issued by the Institute of Chartered Accountants of India.

i) Gratuity

Gratuity is a defined benefit plan. Liability for gratuity in respect of past services are provided for based on the actuarial valuation carried out annually as at the balanced sheet date by an independent actuary using the Projected Unit Credit (PUC) method.

ii) Provident Fund

The company's contribution to Provident fund is considered as a defined contribution plan. Company's contribution to provident fund is charged to the statement of profit and loss when the contribution is due.

M. PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Provisions are recognized in respect of liabilities which can be measured only by using a substantial degree of estimation when:

- a) the company has a present obligation as a result of past event;
- b) a probable outflow of resources embodying economic benefits will be required to settle the obligation; and
- c) the amount of obligation can be reliably estimated

Re-imbusement expected in respect of expenditure required to settle a provision is recognized only when it is virtually certain that the reimbursement will be received.

Contingent liability is disclosed in the case of:

a) a present obligation arising from a past event, when it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

b) a possible obligation, that arises out of past events and the existence of which will be confirmed only by one or more uncertain future events unless the probability of outflow of resources is remote.

Contingents assets are neither recognized nor disclosed. However, when realization of income is virtually certain, related asset is recognized.

N. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash in hand and at bank and short-term investments with an original maturity of three months or less. Cash flow statement is prepared using indirect method.

O. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period. The weighted average number of equity shares outstanding during the period are adjusted for events of bonus issue, share split and share warrants conversion.

Diluted earnings per share is calculated by adjusting net profit or loss for the period attributable to equity shareholders and the weighted number of shares outstanding during the period for the effect of all dilutive potential equity shares.

ARIHANT FOUNDATIONS & HOUSING LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30.09.2012

| PARTICULARS | NOTE NO | AMOUNT AS ON 30.09.2012 | | AMOUNT AS ON 30.09.2011 | |
|---|----------|----------------------------|----------------------|----------------------------|----------------------|
| | | ₹ | | ₹ | |
| SHARE CAPITAL AUTHORISED 1,00,00,000 equity shares of R.10/- each | 2 | | 100,00,000 | | 100,00,000 |
| ISSUED, SUBSCRIBED & PAID UP 86,00,000 equity shares of R.10/- each fully paid up | | | 86,00,000 | | 86,00,000 |
| Reconciliation of No of Shares outstanding at the beginning and end of the reporting year | | | | | |
| | | No.s | Amount in ₹ | No.s | Amount in ₹ |
| Opening balance of number of Equity Shares | | 8,600,000 | 86,00,000 | 8,600,000 | 86,00,000 |
| Changes during the year | | - | - | - | - |
| Closing balance of number of Equity Shares | | 8,600,000 | 86,00,000 | 8,600,000 | 86,00,000 |
| SHAREHOLDERS HOLDING MORE THAN 5% OF THE TOTAL SHARE CAPITAL | | NO OF SHARES | % HELD | NO OF SHARES | % HELD |
| Smt. Snehalatha Lunawath | | 1,407,000 | 16.36 | 1,407,000 | 16.36 |
| Smt. S. Jayalakshmi | | 796,202 | 9.26 | 796,202 | 9.26 |
| Mr. Kamal Lunawath* | | 749,100 | 8.71 | 749,100 | 8.71 |
| Mr. Vimal Lunawath* | | 696,400 | 8.10 | 696,400 | 8.10 |
| Taj Foundation Private Limited | | 690,000 | 8.02 | 690,000 | 8.02 |
| Ocean Dial Asset Management Ltd A/c ICGQ Ltd | | 592,400 | 6.89 | 592,400 | 6.89 |
| * 2,15,000 shares each of Mr. Kamal Lunawath and Vimal Lunawath are under lock-in until 15th March, 2013. | | | | | |
| RESERVES & SURPLUS | 3 | | | | |
| SECURITIES PREMIUM RESERVE | | | | | |
| Opening Balance | | 735,350,000 | | 646,870,000 | |
| Add: Additions during the year | | - | | 88,480,000 | |
| (11,20,000 Equity Shares @Rs.79/- each during 2010-2011) | | | | | |
| Closing Balance | | | 735,350,000 | | 735,350,000 |
| GENERAL RESERVE | | | | | |
| Opening Balance | | 88,308,752 | | 88,308,752 | |
| Add: Additions during the year | | - | | - | |
| Closing Balance | | | 88,308,752 | | 88,308,752 |
| SURPLUS IN THE STATEMENT OF PROFIT AND LOSS | | | | | |
| Opening Balance | | 921,347,766 | | 913,466,488 | |
| Add: Profit for the year | | 48,389,102 | | 9,001,278 | |
| Less: Appropriations made during the year | | 2,860,616 | | 1,120,000 | |
| Closing Balance | | | 966,876,252 | | 921,347,766 |
| | | | 1,790,535,004 | | 1,745,006,518 |

| LONG TERM BORROWINGS | 4 | 30.09.2012 | | 30.09.2011 | |
|---|---|--------------------|--------------------|--------------------|----------------------|
| | | Current | Non - Current | Current | Non - Current |
| i) SECURED | | | | | |
| Banks | | 135,164,323 | 114,728,275 | 36,381,727 | 242,586,632 |
| Others | | | | | |
| - From Related parties | | 4,735,816 | 15,820,995 | - | 12,980,224 |
| - Others | | 199,405,021 | 252,889,658 | 11,597,778 | 417,013,434 |
| Sub - Total | | 339,305,160 | 383,438,928 | 47,979,506 | 672,580,291 |
| ii) UNSECURED | | | | | |
| (A) Fixed Deposits | | - | - | 14,028,560 | - |
| (B) Intercompany Deposits | | | | | |
| - From Related parties | | - | 23,131,108 | 14,245,594 | 283,979,399 |
| - Others | | 10,000,000 | 17,985,353 | 15,300,000 | 37,860,353 |
| (C) Loan from Directors | | 7,411,815 | 132,790,811 | 31,231,741 | 85,894,612 |
| (D) Loan from Others | | - | 21,568,620 | 58,586,182 | 21,122,280 |
| Sub - Total | | 17,411,815 | 195,475,891 | 133,392,077 | 428,856,644 |
| TOTAL | | 356,716,975 | 578,914,819 | 181,371,582 | 1,101,436,934 |
| Intercorporate deposits and the loans are repayable on demand. Intercorporate deposits and some of the loans are interest-free. | | | | | |

| LONG TERM BORROWINGS | | | |
|--|--------------------|--------------------|-----------------|
| (i) SECURED | | | |
| A. FROM BANKS - TERM LOANS | | | |
| Particulars | Interest Rate P.A. | Amount Outstanding | |
| | | 30.09.2012 ₹ | 30.09.2011 ₹ |
| Secured by way of equitable mortgage on certain immovable properties, owned by the company and on receivables from the project. Further the loan has been guaranteed by way of personal guarantee of the directors of the company. Repayment - Twelve monthly installments: Eleven monthly installments of Rs.2 Crores commenced from 9/4/2012 and one monthly installment of Rs.3 Crores. | 15% | 104,925,477 | 137,545,360 |
| Secured against the vehicle for which the loan has been taken. Repayment - Thirty five monthly installments of Rs.22,675/- starting from 1-4-2012. | 10.89% | 575,880 | - |
| Secured against the vehicle for which the loan has been taken. Repayment - Thirty six monthly installments of Rs.22,880/- starting from 1-4-2012. | 10.89% | 598,550 | - |
| Secured by way of equitable mortgage on certain immovable properties, owned by company. Further the loan has been guaranteed by way of personal guarantee of the managing director of the company. Repayment - One monthly instalment of Rs.6,82,771/- and fifty nine instalments of Rs.6,79,011/-. | 15% | 25,306,900 | - |
| Secured against the vehicle for which the loan has been taken. Repayment - Two loans totalling one hundred and twenty monthly installments: sixty monthly installments of Rs.35,745/- for each loan, starting from 1-9-2011. | 10.76% | 2,685,085 | 3,222,286 |

| Particulars | Interest Rate P.A. | Amount Outstanding | |
|---|--------------------|--------------------|-----------------|
| | | 30.09.2012 ₹ | 30.09.2011 ₹ |
| Secured against the future rental incomes for which the loan has been taken. Repayment - One hundred and thirteen monthly installments of Rs.10,23,984/- starting from 10-8-2011. | 13.50% | 60,666,153 | 64,360,226 |
| Secured by way of equitable mortgage on certain immovable properties. Further the loan has been guaranteed by way of personal guarantee of the directors of the company. Repayment - Sixty two Monthly Instalments of Rs.11,03,525/- starting from 10-08-2011. | 13.50% | 40,146,742 | 47,334,196 |
| Secured by way of equitable mortgage on certain immovable properties. Further the loan has been guaranteed by way of personal guarantee of the directors of the company. Repayment - Loan is repayable at a specific percentage (at present 10%) of collection from customers determined from time to time. | 10.00% | 14,699,213 | 26,044,650 |
| Secured against the vehicles for which the loan has been taken. Repayment - Thirty five monthly installments:- of Rs.20,192/- Starting from 7-03-2012. | 12.25% | 288,598 | - |
| TOTAL | | 249,892,598 | |
| B. OTHERS - TERM LOANS | | | |
| From Related Parties | | | |
| Secured against the asset / Property for which loan has been obtained | 12% to 18% | 20,556,811 | 12,980,224 |
| Total | | 20,556,811 | |
| Secured by way of equitable mortgage on certain immovable properties, owned by the company Further the loan has been guaranteed by way of personal guarantee of the directors of the company. Repayment - sixty monthly installments of Rs.4,07,194/- starting from 1-11-2011. | 14% | 15,585,120 | - |
| Secured against the immovable property for which the loan has been taken. Repayment - Two hundred and sixty two monthly installments of Rs.79,589/- starting from 10-3-2008. | 13.25% | 6,458,548 | 6,541,105 |
| Secured by way of equitable mortgage on certain immovable properties, owned by associate company, Heirloom Real Estate (P) Ltd and by hypothecation of certain project receivables. Further the loan has been guaranteed by way of personal guarantee of the directors of the company. Repayment - Twenty five monthly installments of Rs. 40 Lakhs starting from 15-05-2012. | 15% | 80,000,000 | - |
| Secured by way of equitable mortgage on certain immovable properties, owned by associate company, Heirloom Real Estate (P) Ltd and by hypothecation of certain project receivables. Further the loan has been guaranteed by way of personal guarantee of the directors of the company. Repayment - Fifteen monthly instalments of Rs.20 Lakhs, starting from 15-10-2012. | 15% | 30,000,000 | |

| Particulars | Interest Rate P.A. | Amount Outstanding | |
|---|--------------------|--------------------|-----------------|
| | | 30.09.2012 ₹ | 30.09.2011 ₹ |
| Secured by way of equitable mortgage on immovable properties, owned by the company and its associate Arihant Hospitality (Chennai) Private Ltd. Further the loan has been guaranteed by way of personal guarantee of the directors of the company. Two monthly installments of Rs.1,10,12,171/- starting from 5-11-2011 and Twelve monthly instalments of Rs.1,10,40,926/- starting from 5-1-2013 | 16.25% | 32,245,542 | - |
| Secured by way of equitable mortgage on immovable properties, owned by the company and its associate Arihant Hospitality (Chennai) Private Ltd. Further the loan has been guaranteed by way of personal guarantee of the directors of the company. Repayment - One Monthly Instalment of Rs.43,44,819/- and thirteen monthly installments of Rs.36,93,976/-. | 16.25% | 23,230,408 | - |
| Secured by way of equitable mortgage on certain immovable properties, owned by the company and hypothecation of certain project receivables. Further the loan has been guaranteed by way of personal guarantee of the directors of the company. Repayment - Nine monthly installments of Rs.88,98,698/- starting from 5-10-2012. | 16% | 75,000,000 | - |
| Secured by way of equitable mortgage on certain immovable properties, owned by the company and hypothecation of certain project receivables. Further the loan has been guaranteed by way of personal guarantee of the managing director of the company. Repayment - Sixty one monthly installments of Rs.17,20,917/- starting from 1-8-2011. | 16.50% | 59,284,723 | 69,241,583 |
| Secured by way of equitable mortgage on certain immovable properties, owned by the company. Repayment - One hundred and twenty six monthly installments of Rs.3,22,670/- starting from 15-02-2012. | 16.50% | 19,461,427 | - |
| Secured by way of equitable mortgage on certain immovable properties, owned by the company. Repayment - sixty two monthly instalments of Rs.7,29,542/- starting from 1-02-2012. | 16.50% | 27,528,910 | - |
| Secured against the asset / Property for which loan has been obtained | 12% to 18% | 83,500,000 | 66,200,000 |
| Total | | 452,294,678 | |

| PARTICULARS | NOTE NO | AMOUNT AS ON 30.09.2012 | | AMOUNT AS ON 30.09.2011 | |
|--|----------|-------------------------|----------------------|-------------------------|----------------------|
| | | ₹ | | ₹ | |
| DEFERRED TAX | 5 | | | | |
| Deferred Tax Liability | | 2,451,965 | | 4,434,243 | |
| LESS:- Deferred Tax Asset provided during the year | | <u>1,487,991</u> | 963,974 | <u>1,982,278</u> | 2,451,965 |
| The amounts available in the above accounts do not belong to the company. The company does not have the authority to use the money, hence classified as long term in nature. | | | | | |
| LONG TERM PROVISIONS | 6 | | | | |
| Provision for Employment benefits | | 5,332,750 | | 4,377,770 | |
| Other provisions | | <u>331,947</u> | 5,664,697 | <u>2,139,149</u> | 6,516,919 |
| TRADE PAYABLES | 7 | | 524,253,841 | | 509,390,948 |
| OTHER CURRENT LIABILITIES | 8 | | | | |
| Advance for Project | | 349,428,448 | | 776,644,925 | |
| Interest Accrued but not due | | 4,511,413 | | 4,188,461 | |
| Current maturities of Long term Loans | | 356,716,975 | | 181,371,582 | |
| Loans, deposits and advances | | 894,407,557 | | 20,303,653 | |
| Other sundry current liabilities | | <u>122,943,529</u> | 1,728,007,922 | <u>135,780,854</u> | 1,118,289,475 |
| SHORT TERM PROVISIONS | 9 | | | | |
| Provision for Dividend | | 1,173,176 | | 9,770,500 | |
| Provision for Employment benefits - short term | | 26,141 | | 16,918 | |
| Provision for Taxation | | <u>37,676,636</u> | 38,875,952 | <u>17,013,848</u> | 26,801,266 |

Note No. 10
CONSOLIDATED FIXED ASSETS

| Name of The Asset | GROSS BLOCK | | | | DEPRECIATION | | | | NET BLOCK | |
|-------------------------------|--------------------------|---|---|------------------------|--------------------------|---|---|------------------------|--------------------|--------------------|
| | Balance As On 01.10.2011 | Additions During 01.10.2011 To 30.09.2012 | Deletions During 01.10.2011 To 30.09.2012 | Balance As At 30.09.12 | Balance As On 01.10.2011 | For The Period 01.10.2011 To 30.09.2012 | Deletions During 01.10.2011 To 30.09.2012 | Total As On 30.09.2012 | As On 01.10.2011 | As On 30.09.2012 |
| <u>i - Tangible Assets</u> | | | | | | | | | | |
| Land | 172,591,801 | 63,583,647 | - | 236,175,448 | - | - | - | - | 172,591,801 | 236,175,448 |
| <u>Buildings</u> | | | | | | | | | | |
| Freehold Buildings | 93,027,216 | - | - | 93,027,216 | 12,159,539 | 1,761,465 | - | 13,921,004 | 80,867,676 | 79,106,211 |
| Leasehold Buildings | 5,795,307 | - | - | 5,795,307 | 669,765 | 90,337 | - | 760,102 | 5,125,542 | 5,035,205 |
| Furniture & Fixtures | 21,339,664 | 20,102 | - | 21,359,765 | 9,465,372 | 1,289,690 | - | 10,755,062 | 11,874,297 | 10,604,703 |
| Plant & Equipments | 13,560,955 | 708,274 | - | 14,269,229 | 4,311,890 | 662,124 | - | 4,974,014 | 9,249,060 | 9,295,215 |
| Office Equipments | 6,623,238 | 218,540 | - | 6,841,778 | 4,448,251 | 534,509 | - | 4,982,760 | 2,174,985 | 1,859,018 |
| Vehicles | 15,152,561 | 4,236,228 | 938,366 | 18,450,423 | 4,649,508 | 1,562,226 | 276,968 | 5,934,766 | 10,503,053 | 12,515,657 |
| Books | 66,269 | - | 66,269 | - | 66,269 | - | 66,269 | - | - | - |
| TOTAL | 328,157,009 | 68,766,791 | 1,004,635 | 395,919,165 | 35,770,594 | 5,900,351 | 343,236 | 41,327,708 | 292,386,415 | 354,591,457 |
| <u>ii - Intangible Assets</u> | | | | | | | | | | |
| Computer Software | 1,782,619 | - | - | 1,782,619 | 845,149 | 289,750 | - | 1,134,899 | 937,470 | 647,720 |
| TOTAL | 1,782,619 | - | - | 1,782,619 | 845,149 | 289,750 | - | 1,134,899 | 937,470 | 647,720 |
| GRAND TOTAL | 329,939,628 | 68,766,791 | 1,004,635 | 397,701,784 | 36,615,743 | 6,190,101 | 343,236 | 42,462,608 | 293,323,885 | 355,239,177 |
| Previous Year Values | 320,727,884 | 9,212,740 | - | 329,939,628 | 30,311,945 | 6,304,794 | - | 36,615,743 | 290,415,939 | 293,323,885 |

| PARTICULARS | NOTE NO | AMOUNT AS ON 30.09.2012 ₹ | | AMOUNT AS ON 30.09.2011 ₹ | |
|---|-----------|------------------------------|--------------------|------------------------------|--------------------|
| NON-CURRENT INVESTMENTS | 11 | | | | |
| 1. UNQUOTED - TRADE | | | | | |
| a. INVESTMENT IN EQUITY INSTRUMENT | | | | | |
| ii) JOINT VENTURES | | | | | |
| (i) Arihant Indo African Infra Developers & Builders Pvt.Ltd. (2,03,274 Equity shares of Rs.10/- Each Fully Paid Up) | | 2,032,740 | | 2,032,740 | |
| (iv) Heirloom Real Estate Pvt.Ltd. (2,500 Equity shares of Rs.10/- Each Fully Paid Up) | | 25,000 | | 25,000 | |
| (vii) Viviana Infra Developers Pvt Ltd (10,000 Equity shares of Rs.10/- Each Fully Paid Up) | | - | | 100,000 | |
| b. INVESTMENT IN DEBENTURES | | | | | |
| Arihant Indo African Infra Developers & Builders Pvt Ltd (13% 8,07,345 Optionally Redeemable Convertible Debenetures of Rs.100/- Each) | | 80,734,500 | | 80,734,500 | |
| c. INVESTMENT IN GOVT. BONDS NSC | | 2,470 | | 2,470 | |
| 2. QUOTED - NON-TRADE (FULLY PAID AT COST) | | | | | |
| Happy Homes Profin Ltd (44800 Equity shares of Rs.10/- each Fully Paid Up) | | 1 | | 1 | |
| Hindustan Construction Company Ltd (500 Shares of Rs.45.20 Each Fully Paid Up; market Value Rs.8,975/-) | | 22,767 | | 22,767 | |
| IDBI Bank Ltd (500 Shares of Rs.155.40 Each Fully Paid Up; market value Rs.50,052/-) | | 78,100 | | 78,100 | |
| Indotech Transformers (691 Equity Shares of Rs.130/- Each Fully Paid Up; market value Rs.62,915.55) | | 89,830 | | 89,830 | |
| Tata Consultancy Servies Ltd (3600 Shares of Rs.1/- Each Fully Paid up; market value Rs.46,65,240/-) | | 902,352 | | 902,352 | |
| | | | 83,887,759 | | 83,987,759 |
| LONG TERM LOANS AND ADVANCES | 12 | | | | |
| Security deposits | | | | | |
| Security deposits - unsecured and considered good | | 474,980,570 | | 481,818,325 | |
| Others | | 8,540,827 | | 120,236,279 | |
| | | | 483,521,397 | | 602,054,604 |
| | | | 58 | | |

| Details of quoted/unquoted investments: Particulars | | AS ON 30.09.2012 | AS ON 30.09.2011 |
|---|------------|---------------------------------|---------------------------------|
| (a) Aggregate amount of quoted investments and market value thereof | | | |
| Book Value | | 1,093,050 | 1,093,050 |
| Market Value | | 4,787,183 | 3,879,395 |
| (b) Aggregate amount of unquoted investments | | | |
| Book Value | | 101,044,710 | 101,144,710 |
| (c) Aggregate provision for diminution in value of investments | | NIL | NIL |
| PARTICULARS | NOTE NO | AMOUNT AS ON 30.09.2012 ₹ | AMOUNT AS ON 30.09.2011 ₹ |
| CURRENT ASSETS | | | |
| INVENTORIES | 13 | | |
| (as taken, valued and certified by the Management) | | | |
| Land | | 79,927,364 | - |
| Raw Materials | | 1,482,652 | 4,080,292 |
| Work in Progress | | 775,630,929 | 1,012,143,015 |
| Finished Properties | | 226,603,397 | 246,777,428 |
| | | 1,083,644,343 | 1,263,000,735 |
| TRADE RECEIVABLES | 14 | | |
| Secured and considered good | | | |
| Sundry debtors outstanding for period of less than Six months | | 60,686,370 | 74,819,554 |
| Others | | 579,152,745 | 675,423,397 |
| Sub-total (a) | | 639,839,115 | 750,242,951 |
| Unsecured and considered good | | | |
| Sundry debtors outstanding for period of less than Six months | | 10,427,049 | 25,000 |
| Others | | 4,226,739 | 30,220,979 |
| Sub-total (b) | | 14,653,788 | 30,245,979 |
| TOTAL (a + b) | | 654,492,903 | 780,488,929 |
| CASH AND CASH EQUIVALENTS | 15 | | |
| Cash in Hand | | 8,815,161 | 7,759,168 |
| Balance with Banks | | 87,808,044 | 124,033,447 |
| Other Bank balances | | | |
| - Deposit accounts | | 28,124,670 | 8,654,993 |
| - Earmarked accounts: Unpaid dividend | | 468,308 | 402,932 |
| Others - Mutual Fund (daily dividend) | | 55,718,252 | - |
| | | 180,934,435 | 140,850,541 |
| SHORT TERM LOANS AND ADVANCES | 16 | | |
| Advance for land | | 240,857,539 | 116,174,924 |
| Advance tax and others | | 125,389,242 | 43,901,864 |
| Other loans and advances | | 628,500,044 | 970,808,381 |
| | | 994,746,825 | 1,130,885,169 |

| PARTICULARS | NOTE NO | AMOUNT AS ON 30.09.2012 | | AMOUNT AS ON 30.09.2011 | |
|--|-----------|-------------------------|----------------------|-------------------------|----------------------|
| | | | ₹ | | ₹ |
| OTHER CURRENT ASSETS | 17 | | | | |
| Security Deposit | | 583,285,617 | | 83,285,617 | |
| Other Deposits | | 312,682,425 | | 336,653,615 | |
| Prepaid Expenses | | 325,002 | | 363,171 | |
| Others | | 20,456,326 | 916,749,370 | - | 420,302,402 |
| REVENUE FROM OPERATION | 18 | | | | |
| Sales | | 1,161,796,817 | | 833,478,695 | |
| Project management fees received | | - | | 3,982,576 | |
| Materials | | 81,410,016 | | 4,080,292 | |
| Work-in-progress | | 702,187,545 | | 739,436,698 | |
| Finished Goods | | 226,603,397 | 2,171,997,775 | 246,777,428 | 1,827,755,688 |
| OTHER INCOME | 19 | | | | |
| Lease rentals | | 20,513,132 | | 25,554,500 | |
| Maintenance charges received | | 15,791,617 | | 13,373,733 | |
| Dividend income | | 1,952,959 | | 1,544,831 | |
| Share of profit from firms | | - | | 48,425,205 | |
| Interest received | | 22,206,628 | | 76,683,529 | |
| Profit on sale of shares | | - | | 79,219 | |
| Compensation received | | 23,000,000 | | - | |
| Miscellaneous income | | 1,932,697 | 85,397,033 | 4,366,731 | 170,027,748 |
| CONSTRUCTION AND PROJECT EXPENSES | 20 | | 2,018,313,353 | | 1,802,492,271 |
| EMPLOYEES BENEFIT EXPENSES | 21 | | | | |
| Staff Salary | | 17,013,148 | | 18,515,220 | |
| Staff Welfare | | 561,430 | | 4,060,593 | |
| Contribution to funds and defined benefit expenses | | 285,186 | 17,859,763 | 810,494 | 23,386,307 |
| FINANCE COST | 22 | | | | |
| Interest Expense | | | 82,086,945 | | 74,798,986 |
| DEPRECIATION AND AMORTIZATION | 23 | | | | |
| Depreciation of tangible fixed asset | | 5,900,351 | | 6,083,625 | |
| Amortization of intangible fixed asset | | 289,750 | 6,190,101 | 221,169 | 6,304,794 |
| OTHER EXPENSES | 24 | | | | |
| Power & Fuel | | 2,202,016 | | 2,284,195 | |
| Rent | | 4,564,457 | | 4,992,911 | |
| General Expenses | | 5,262,971 | | 9,813,951 | |
| Insurance | | 514,261 | | 289,187 | |
| Rates & Taxes | | 6,259,595 | | 2,588,784 | |
| Repairs & Office Maintenance | | 20,073,875 | | 25,654,200 | |
| Advertisement & Business Promotion | | 6,074,116 | | 5,728,737 | |
| Legal, Professional & Consultancy Charges | | 7,820,747 | | 4,441,960 | |
| Travelling & Conveyance | | 2,692,436 | | 3,222,923 | |
| Vehicle Maintenance | | 626,393 | | 738,756 | |

| PARTICULARS | NOTE NO | AMOUNT | |
|---|---------|-----------------------|-----------------------|
| | | AS ON 30.09.2012 ₹ | AS ON 30.09.2011 ₹ |
| Telephone, Postage, Printing & Stationery | | 2,571,085 | 2,555,060 |
| Interest on Taxes paid | | 2,098 | 781 |
| Miscellaneous Expenditure | | 214,882 | 206,302 |
| Donation | | 983,200 | 967,000 |
| Directors' Remuneration | | 4,407,973 | 5,069,792 |
| Directors' Fees | | 54,000 | 68,000 |
| Other Borrowing Costs | | 480,649 | 3,145,619 |
| Bank Charges | | 44,611 | 172,081 |
| Audit Fees | | | |
| - For Statutory Audit | | 851,108 | 506,034 |
| - For Tax Audit | | 165,450 | 165,450 |
| - For Income tax representation | | 165,450 | 165,450 |
| Prior period expense | | 82,725 | - |
| Loss on sale of fixed assets | | 27,285 | - |
| | | 66,141,384 | 72,777,172 |

25. CONTINGENT LIABILITIES, PROVISIONS AND CONTINGENT ASSETS

i) Sales tax liability, if any on works contracts carried out by the company is considered by management as not material but if any liability arises it will be recovered from customers.

ii) The income tax department has filed appeal against the order of the CIT (Appeal) before the income tax appellate tribunal for Asst Yr: 2004-2005, 2005-2006, 2007-2008 and 2009-2010

iii) Amount of service tax under dispute: Rs.23,16,081/- pertaining to the period from October 2004 to March 2007 (Previous year: Rs.23,16,081/- for the period October 2004 to March 2007); Rs. 7,87,509/- pertaining to the period from July 2007 to April 2008 (Previous year: NIL)

iv) HUDCO has filed a counter suit against the order of DRT to increase the interest rate payable from 9%. As such, the interest liability of the company may be increased

v) The company may receive interest on amounts paid by it for various appeals which are pending.

Notes:

1. The Company does not expect any reimbursements in respect of the above contingent liabilities.

2. It is not practicable to estimate the timing of cash outflows, if any, in respect of matters stated above pending resolution of the arbitration/appellate proceedings

26. SEGMENT REPORTING

The company is primarily in the business of real estate development and related activities including construction. Major exposure is to residential and commercial construction and development of IT parks. Further majority of the business conducted is within the geographic boundaries of India.

In view of the above, in the opinion of the Management and based on the organizational and internal reporting structure, the company's business activities as described above are subject to similar risks and returns. Further, since the business activities undertaken by the company are within India, in the opinion of the Management, the environment in India is considered to have similar risks and returns. Consequently the company's business activities primarily represent a single business segment. Similarly, this business operations in India represent a single geographical segment.

27. LEASED ASSETS

A. Operating lease taken

The company has taken buildings and office equipments on operating lease basis. The details of the same are given below:-

| | 30.09.2012 | 30.09.2011 |
|---|------------|------------|
| The total of lease payments recognized in the profit and loss account are (in ₹): | 4,477,883 | 4,341,375 |
| Particulars | 30.09.2012 | 30.09.2011 |
| a) Not later than one year | 4,371,924 | 4,477,883 |
| b) Later than one year, but not later than five years | 6,957,500 | 11,329,424 |
| c) More than five years | - | - |

B. Operating lease given

(i) The company has given buildings on operating lease. The lease rentals are receivable by the company on a monthly basis.

| | 30.09.2012 | 30.09.2011 |
|--|------------|------------|
| (ii) The total of lease income recognized in the profit and loss account are (in Rs.): | 20,513,132 | 25,554,500 |

(iii) Future minimum lease rentals receivable as at 31st March, 2012 as per the lease agreement as under:

| Particulars | 30.09.2012 | 30.09.2011 |
|---|-------------|------------|
| a) Not later than one year | 29,781,941 | 19,940,880 |
| b) Later than one year, but not later than five years | 114,164,316 | 20,743,699 |
| c) More than five years | 39,564,450 | 21,832,732 |

28. EARNINGS PER SHARE

| BASIC EARNINGS PER SHARE | 30.09.2012 | 30.09.2011 |
|--|------------|------------|
| a) Weighted Average number of shares considered for calculation of EPS | 8,600,000 | 8,600,000 |
| b) Net profit after tax (in ₹) | 48,389,101 | 9,001,278 |
| c) Basic earnings per share (in ₹) | 5.63 | 1.05 |
| d) Face value per share (in ₹) | 10 | 10 |

DILUTED EARNINGS PER SHARE

| | 30.09.2012 | 30.09.2011 |
|--|------------|------------|
| a) Weighted Average number of shares considered for calculation of EPS | 8,600,000 | 8,600,000 |
| b) Net profit after tax (in ₹) | 48,389,101 | 9,001,278 |
| c) Basic earnings per share (in ₹) | 5.63 | 1.05 |
| d) Face value per share (in ₹) | 10 | 10 |

29. FOREIGN EXCHANGE EARNINGS AND OUTGO

₹ in lakhs

| | 30.09.2012 | 30.09.2011 |
|-------------|------------|------------|
| a) Earnings | - | - |
| b) Outgo* | 20.03 | 12.84 |

* Foreign Exchange outgo comprises of expenses on travelling and participating in exhibitions abroad and professional charges paid to foreign consultants

30. INTEREST IN JOINT VENTURES AND ASSOCIATES:

| Name of the Company | Country of incorporation | Proportion of ownership interest as at | |
|--|--------------------------|--|------------|
| JV Companies | | 30-09-2012 | 30-09-2011 |
| (a) Escapade Real Estate Private Limited | India | 50% | 50% |
| (b) Arihant Unitech Realty Projects Limited | India | 50% | 50% |
| (c) Arihant Indo African Infra Developers and Builders P Ltd | India | 26% | 26% |
| (d) North town Estates Private Limited | India | 50% | 50% |
| Partnership firms | | | |
| (a) Arihant Heirloom | India | 49.39% | 49.39% |
| (b) Arihant Foundations | India | 4% | 4% |
| (c) Arihant Foundations & Housing | India | 3% | 3% |

The company's share of the assets and liabilities as on 31st March, 2012 and income and expenses for the year ended in respect of joint venture entities based on audited/ unaudited accounts are given below:

| Particulars | 30.09.2012 | 30.09.2011 |
|-------------------------|----------------------|----------------------|
| ₹ | | |
| A. Assets | | |
| Non-current assets | 606,196,483 | 724,278,784 |
| Current assets | 913,492,937 | 984,632,025 |
| TOTAL | 1,519,689,420 | 1,708,910,809 |
| B. Liabilities | | |
| Non-current liabilities | 77,048,416 | 6,282,595 |
| Current liabilities | 1,083,820,665 | 1,148,388,739 |
| TOTAL | 1,160,869,081 | 1,154,671,334 |

| | | |
|---------------------------|-------------|-------------|
| C. Contingent Liabilities | NIL | NIL |
| D. Capital commitments | NIL | NIL |
| E. Income | 822,234,501 | 719,791,421 |
| F. Expenses | 770,602,117 | 656,737,046 |

31. BENEFITS TO EMPLOYEES

As per accounting standard (AS) 15 revised, 'employee benefits', the disclosures of employee benefits are as given below:

(a) Defined contribution plans

Contributions recognized as expense for the year are as under:

| Particulars | ₹ | |
|---|------------|------------|
| | 30-09-2012 | 30-09-2011 |
| Employer's contribution to provident fund and ESI | 285,186 | 810,494 |

(a) Defined Benefit plans

The cost of providing gratuity are determined using the projected unit credit method, on the basis of actuarial valuation techniques, conducted at the end of the financial year.

Actuarial assumptions:

| Particulars | 30-09-2012 | 30-09-2011 |
|---|------------|------------|
| a) Mortality table - Indian assured lives | (1994-96) | (1994-96) |
| b) Discounting rate (per annum) | 8.20% | 8.00% |
| c) Rate of escalation in salary (per annum) | 10.00% | 10.00% |
| d) rate of return on plan assets | NIL | NIL |
| e) Attrition rate fixed by the enterprise | 5.00% | 10.00% |

32. RELATED PARTY DISCLOSURES

Related parties are classified as:

Associates

Arihant Hospitality Chennai Private Limited

Heirloom Real Estate Private Limited

Key Management Personnel

| Name | Designation |
|--------------------|--------------------------------|
| Mr. Kamal Lunawath | Chairman and Managing Director |
| Mr. Vimal Lunawath | Whole time Director |
| Mr. Bharat Jain | Whole time Director |

Individuals owning directly or indirectly, an interest in the voting power of the reporting enterprise and relatives of any such individual:

Mrs. Snehalatha Lunawath

Mrs. Preethi Lunawath

Mrs. Kavita Lunawath

Summary of significant related parties transactions carried out in ordinary course of business are as under:

| Amount (₹) | | | | |
|------------|------------------------------------|---------------------------|--|---------------------------|
| S. No | Description | Key management personnel | Entities, relatives of key management personnel and individuals owning directly indirectly, an interest in the voting power of the reporting enterprise and relatives of any such individual | TOTAL |
| 1 | Service rendered | (-) | - (-) | - - |
| 2 | Interest received | (-) | - (-) | - (-) |
| 3 | Interest paid | 32,154,046 (-) | - (-) | 32,154,046 (-) |
| 4 | Loans received from | 9,580,939 (68,832,818) | *- (-) | 9,580,939 (68,832,818) |
| 5 | Loans repaid to | 555,458 (107,867,948) | (-) | 555,458 (107,867,948) |
| 6 | advances received from | - (-) | - (12,980,224) | - (12,980,224) |
| 7 | advances repaid to | - (-) | (2,022,320) | (2,022,320) |
| 8 | Advances made to | - (-) | - (-) | - - |
| 9 | Advances - repayment received from | - (-) | - (-) | - - |
| 10 | Receipts for shares and warrants | (28,702,500) | - (-) | - (28,702,500) |
| 11 | Remuneration paid | 4,857,973 (5,069,792) | (-) | 4,857,973 (5,069,792) |

Note: Previous years' figures are given within brackets

33. The exceptional item of Rs. 2,80,03,796/- as shown in the statement of profit and loss for the year ended 30th September, 2012, represents the provision created against the interest income.

34. PREVIOUS YEAR FIGURES

Previous year figures have been regrouped, rearranged and reclassified wherever considered necessary.

35. PRIOR YEAR COMPARATIVES

Till the year ended 30th September, 2011, the company was following pre-revised schedule VI to the Companies Act 1956, for the preparation and presentation of financial statements. During the year ended 30th September, 2012, the revised schedule VI notified under the Act has become applicable to the company. The company has reclassified previous year figures to conform to this year's classification as per revised schedule VI. The adoption of revised schedule VI does not impact recognition and measurement principles followed by the company for the preparation of financial statements. However, it significantly impacts presentation and disclosures made in the financial statements. Consequently, prior year figures are not comparable to those which are as per the revised schedule VI requirements.

As per our attached report of even date
For **B.P. Jain & Co.**

Chartered Accountants
FIRM REG NO-050105S

sd/-
CA Devendra Kumar Bhandari
Partner

Membership No.: 208862
CHENNAI / 29.11.2012

For and on behalf of board of directors
For **Arihant Foundations & Housing Limited**

sd/-
Kamal Lunawath
Managing Director

sd/-
Vimal Lunawath
Wholetime Director

sd/-
Kishore Kumar Sahoo
Company Secretary

Folio No.....
(to be filled by shareholder)

ARIHANT FOUNDATIONS & HOUSING LIMITED

Chennai

PROXY

I/We

c/o.....

Being a member (s) of ARIHANT FOUNDATIONS & HOUSING LTD hereby appoint

Mr. Mrs.....

c/o.....

failing him / her / Mr. / Mrs.

c/o.....

as my/our proxy to attend and vote for me/us on my/our behalf at the 20th Annual General Meeting of the Company to be held on Friday, 29th March 2013 and any adjournment thereof. As witness my/our hand (s) this 29th day of March 2013.

Signed by the said Mr/Mrs/Ms.....



Signature

Note : The proxy must be deposited at the Registered Office of the Company at Ankur Manor, 1st Floor, 271, Poonamallee High Road, Kilpauk, Chennai - 600 010, not less than 48 hours before the time of holding the meeting.

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ARIHANT FOUNDATIONS & HOUSING LIMITED

Chennai

ATTENDANCE SLIP

Time & Date : 9.30 a.m. Friday, 29th March, 2013

Place : "ARIHANT ESCAPADE", Devaraj Nagar, No. 48, Okkiyum, Thoraipakkam, Chennai - 97.

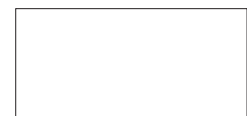
Full name of the shareholder.....

Full name of the person attending the meeting as Shareholder's Proxy

.....

Folio No.....

Date.....



Signature

