

CORPORATE STRUCTURE

BOARD OF DIRECTORS

Kamal Lunawath	Managing Director
Vimal Lunawath	Whole time Director
Jagdish R Bhatt	Whole time Director
Col. A.L.Jayabhanu	Whole time Director
Alex Jacob	Director
A Damodaran	Director
Harisharanlal Trivedi	Director
G Dilip Surana	Director
Ravikant M Choudhary	Director
Bharat M Jain	Director

SENIOR EXECUTIVES

Priti Venkatesan	Company Secretary
Piyush Bhatt	Project Manager

BANKERS

Indian Overseas Bank
Bank of Baroda
Corporation Bank
Vijaya Bank
Oriental Bank of Commerce
ABN Amro Bank
IDBI Limited
ICICI Bank Limited
Punjab and Sind Bank

AUDITORS

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

LEGAL ADVISOR

K. Venkatasubramanian
25, Singarachariar Street
Triplicane, Chennai- 600005

REGISTERED OFFICE

271 (Old 182), Poonamallee High Road
"Ankur Manor", 1st Floor, Off. McNichols Road
Kilpauk, Chennai- 600010.

REGISTRAR AND SHARE TRANSFER AGENTS

M/s. Cameo Corporate Services Limited.,
5th Floor, Subramanian Building, No.1, Club House Road
Anna Salai, Chennai- 600002.

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CHAIRMAN'S SPEECH

Dear Shareholders,

On behalf of Board of Directors of Arihant Foundations & Housing Limited and myself, I welcome you all to the 13th Annual General Meeting of our company.

I take immense pleasure in stating that Arihant Foundations & Housing Limited has a prominent place among the real estate promoters in India especially in Chennai due to our constant effort and endeavour to change the skyline of Chennai by constructing some of the land mark commercial and residential projects with exceptionally good elevation and modern infrastructure. The brand image created by Arihant over the years today gives us a definite advantage over others in our marketing efforts.

Major cities in India are witnessing a sustained real estate demand that is largely a result of growth spearheaded by a spurt in the knowledge sector comprising the IT, ITES and BPO- led businesses. Simultaneously improved quality of real estate developments has also triggered a market rally benefiting owners, occupiers and investors alike. Nearly 7 million sq.ft. of office space was absorbed in 2005 in Chennai, making it the second largest office market after Bangalore.

In this Accounting year we have completed "Arihant Vedant" a residential complex at Malony Road, Chennai-17, "Arihant E Park" an IT Park at L.B Road, Adayar, Chennai-20, "Arihant Harmony" a residential complex at Spurtank Road, Chetpet, Chennai - 31.

"Arihant Fern Villa" at 73, Dr. Allagappa Road, Chennai-7. "Arihant Vaikunt" at Puraswalkam, Chennai, "Arihant Galaxy" at Tondiarpet, Chennai, "Arihant Shloka" at Secretariat Colony, Kilpauk, Chennai, "Arihant Technopolis" at Perungudi, Chennai are on the verge of completion.

COMPANY'S PERFORMANCE FOR THE YEAR

Your Company achieved an excellent performance during the financial year. The sales of the Company was Rs.59.51crores and the Company succeeded in posting a net profit of Rs.751 lacs and earning per share of Rs.12.51.

Your Company took several strategic initiatives during the year. Apart from the initiatives in the field of construction it has taken the major initiative of raising fund to an extent of Rs.22.11crores through Preferential allotment of equity shares and convertible warrants for the purpose of employing the fund for acquisition of property for future projects.

The Board of Directors of your Company have decided to pay a dividend of 15% for the year 2004-05.

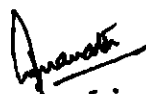
Your Company is in a strong position to maximize the wealth of the Shareholders by extending the field of operation in other cities like Bangalore, Calcutta and Coimbatore.

I take this opportunity to convey our grateful thanks to Corporation Bank, Bank of Baroda, Indian Overseas Bank, Vijaya Bank, ICICI Bank Limited, IDBI Limited, Oriental Bank of Commerce, Punjab and Sind Bank for the trust they have bestowed on us by sanctioning financial assistance whenever we requested for either starting the new projects or completion of on going projects. We are also grateful to Chennai Metropolitan Development Authority, Corporation of Chennai and related departments of Government of Tamil Nadu for having extended full support in all our endeavors.

I would also like to take this opportunity to express my gratitude to the staff as well as the shareholders for their continued faith and confidence on our Board of Directors.

Thank You,

Sincerely



KAMAL LUNAWATH
Chairman

NOTICE

Notice is hereby given that the 13th Annual General Meeting of the Shareholders of Arihant Foundations and Housing Limited will be held at 10.25 A.M. on Friday, the 24th March 2006 at "Days Inn", Deccan Plaza, Door no.36, Royapettah High Road, Royapettah, Chennai-600014 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 2005 and Audited profit and loss account for the period from 01.10.2004 to 30.09.2005, together with the Directors' Report and the Auditors' Report.
2. To declare dividend at pro-rata basis on equity shares.
3. To appoint a Director in place of Mr. Alex Jacob, 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 and in this regard to consider and if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary resolution:

"RESOLVED THAT M/s B.P Jain & Co., Chartered Accountants be and are hereby appointed as Auditors of the Company, to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Company on such remuneration as shall be fixed by the Board of Directors."

SPECIAL BUSINESS :

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

"RESOLVED THAT In accordance with the provision of Section 257 and all other applicable provisions, if any of the Companies Act, 1956 or any statutory modification(s) or re enactment thereof, Mr. Kamal Lunawath, who was appointed as an additional Director pursuant to Section 260 of the Companies Act, 1956, be and is hereby appointed as a Director of the Company."

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

"RESOLVED THAT In accordance with the provision of Section 198, 269 and 309 read with schedule XIII 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 appointment of Mr. Kamal Lunawath as Managing Director of the Company for a period of 5 years with effect from 04.11.2005 on the terms and conditions including remuneration as set out in the Explanatory statement annexed to the notice convening this Meeting, with liberty to the Board of Directors (herein after referred to as "the Board") to alter and vary the terms and conditions and/ or remuneration, subject to the same not exceeding the limits specified under schedule XIII to the Companies Act, 1956 or any statutory modification(s) or re- enactment thereof."

"RESOLVED FURTHER THAT the Board be and is hereby authorised to take all such steps as may be necessary, proper or expedient to give effect to this Resolution."

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

"RESOLVED THAT In accordance with the provision of Section 257 and all other applicable provisions, if any of the Companies Act, 1956 or any statutory modification(s) or re enactment thereof, Mr. Vimal Lunawath, who was appointed as an additional Director pursuant to Section 260 of the Companies Act, 1956, be and is hereby appointed as a Director of the Company."

9. To consider and if thought fit, to pass, with or without modification, the following resolution as an Ordinary Resolution.

"RESOLVED THAT In accordance with the provision of Section 198, 269 and 309 read with schedule XIII 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 appointment of Mr. Vimal Lunawath as Whole time Director of the Company for a period of 5 years with effect from 04.11.2005 on the terms and conditions including remuneration as set out in the Explanatory statement annexed to the notice convening this Meeting, with liberty to the Board of Directors (herein after referred to as "the Board") to alter and vary the terms and conditions and/ or remuneration, subject to the same not exceeding the limits specified under schedule XIII to the Companies Act, 1956 or any statutory modification(s) or re- enactment thereof."

"RESOLVED FURTHER THAT the Board be and is hereby authorised to take all such steps as may be necessary, proper or expedient to give effect to this Resolution."

10. To consider and if thought fit, to pass, with or without modification, the following resolution as an Ordinary Resolution.

"RESOLVED THAT In accordance with the provision of Section 257 and all other applicable provisions, if any of the Companies Act, 1956 or any statutory modification(s) or re enactment thereof, Mr. G Dilip Surana, who was appointed as an additional Director pursuant to Section 260 of the Companies Act, 1956, be and is hereby appointed as a Director of the Company subject to retirement by rotation under the provisions of Articles of Association of the Company."

11. To consider and if thought fit, to pass, with or without modification, the following resolution as an Ordinary Resolution.

"RESOLVED THAT In accordance with the provision of Section 257 and all other applicable provisions, if any of the Companies Act, 1956 or any statutory modification(s) or re enactment thereof, Mr. Ravikant M Choudhary, who was appointed as an additional Director pursuant to Section 260 of the Companies Act, 1956, be and is hereby appointed as a Director of the Company subject to retirement by rotation under the provisions of Articles of Association of the Company."

12. To consider and if thought fit, to pass, with or without modification, the following resolution as an Ordinary Resolution.

"RESOLVED THAT In accordance with the provision of Companies Act, 1956 or any statutory modification(s) or re enactment thereof, Mr. Bharat M Jain, who was appointed as an additional Director pursuant to Section 260 of the Companies Act, 1956, be and is hereby appointed as a Director of the Company subject to retirement by rotation under the provisions of Articles of Association of the Company."

13. To consider and if thought fit, to pass, with or without modification, the following resolution as an Ordinary Resolution.

"RESOLVED THAT In accordance with the provision of Section 198, 269 and 309 read with schedule XIII 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 revision of remuneration of Sri. Jagdish R Bhatt, whole time Director of the Company from Rs.12000/- per month to Rs.25000/- per month. with liberty to the Board of Directors (herein after referred to as "the Board") to alter and vary remuneration, subject to the same not exceeding the limits specified under schedule XIII to the Companies Act, 1956 or any statutory modification(s) or re- enactment thereof."

"RESOLVED FURTHER THAT the Board be and is hereby authorised to take all such steps as may be necessary, proper or expedient to give effect to this Resolution."

14. To consider and if thought fit, to pass, with or without modification, the following resolution as an Ordinary Resolution.

"RESOLVED THAT In accordance with the provision of Section 198, 269 and 309 read with schedule XIII 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 revision of remuneration of Sri. Col. A.L Jayabhanu, whole time Director of the Company from Rs.12000/- per month to Rs.25000/- per month. with liberty to the Board of Directors (herein after referred to as "the Board") to alter and vary remuneration, subject to the same not exceeding the limits specified under schedule XIII to the Companies Act, 1956 or any statutory modification(s) or re- enactment thereof."

"RESOLVED FURTHER THAT the Board be and is hereby authorised to take all such steps as may be necessary, proper or expedient to give effect to this Resolution."

15. To consider and if thought fit, to pass, with or without modification, the following resolution as an Ordinary Resolution.

"RESOLVED THAT pursuant to the provision of Section 293(1)(d) of the Companies Act, 1956, Article no.130 of the Articles of Association of Company and other applicable provisions if any of the Companies Act 1956, Consent of the Company be and is hereby accorded to the Board of Directors of the Company to borrow from time to time such sum or sum(s) of money(s) to be borrowed together with the money(s) already borrowed by the Company (apart from temporary loans obtained from the Company's Bankers in the ordinary course of business) shall exceed the aggregate of paid up capital and free reserves, that is to say reserve not set apart for any specific purpose. provided that the total amount together with the money(s) already borrowed by the Board of Directors shall not exceed the sum of Rs.200crores at any one time."

By Order of the Board
For Arihant Foundations & Housing Limited

sd/-

Place: Chennai
Date: 18.02.2006

Priti Venkatesan
Company Secretary

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 18th March, 2006 to 24th March, 2006(Both days inclusive).
4. Pro-rata dividend on equity shares, if declared at the Meeting, will be payable to those shareholder, whose names appear on the Company's Register of Members at the close of business hours on 17th March, 2006. 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 17th March, 2006.
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.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956.

ITEM 6.

The Board of directors of the Company at its meeting held on 04.11.2005 has appointed pursuant to provision of Section 260 of the Companies Act, 1956 and Article 96 of the Articles of Association of the Company, Mr. Kamal Lunawath as an additional Director of the Company.

In terms of provisions of Section 260 of the Companies Act, 1956, Mr. Kamal Lunawath would held office up to the date of this Annual General Meeting.

The Company has received a notice in writing from a member along with a deposit of Rs.500/- proposing the candidature of Mr. Kamal Lunawath for the office of the Director Of the company under the provision of Section 257 of the Companies Act,1956.

Memorandum of Interest

Save and except Mr. Kamal Lunawath, being the appointee and Mr. Vimal Lunawath, being brother of the appointee, none of the other Directors of the Company is, in anyway, concerned or interested in the resolution set out at item no.6 of the notice.

The Board commends the resolution set out at item no.6 of the notice for your approval.

ITEM 7.

The Board of directors after appointing Mr. Kamal Lunawath as an additional Director at its meeting held on 04.11.2005 has appointed, Mr. Kamal Lunawath as Managing Director subject to the approval of shareholders on the terms and conditions mentioned below. An abstract of the terms and conditions of appointment of Mr. Kamal Lunawath as Managing Director pursuant to Section 302 of the Companies Act, 1956 have already been circulated to all the shareholders of the Company.

Terms and conditions of appointment of Mr. Kamal Lunawath, Managing Director:

(a) **Tenure of appointment:** for a period of 5 years with effect from 04.11.2005.

(b) **Details of remuneration and perquisite payable:**

(i) Salary: Rs.40000/- per month including dearness and other allowances.

(ii) Commission: equivalent to 1% of net profits of the Company subject to ceiling specified under the Companies Act, 1956.

(c) **Perquisites:**

(i) **Housing I :** The expenditure by the Company on hiring furnished accommodation for the appointee will be subject to the following ceiling 60% (sixty percent) of the salary, over and above 10% (ten percent) payable by the appointee.

Housing II: Incase the accommodation is provided by the Company, ten percent of the salary of the appointee shall be deducted by the Company.

Housing III: Incase no accommodation is provided by the Company, the appointee shall be entitled to house rent allowance subject to the ceiling laid down in House I.

Explanations : The expenditure incurred by the Company on gas, electricity, water and furnishing shall be valued as per Income Tax Rule 1962.

This shall however, be subject to a ceiling of ten percent of the salary of the appointee.

(ii) Medical reimbursement : Actual expenses incurred for him and his family.

(iii) Leave travel concession: For self and family once in a year.

(iv) Club Fees: Fees of clubs subject to a maximum of two clubs. This will not include admission and life membership fees.

(v) Personal accident Insurance: Premium not to exceed Rs.15,000/- per annum.

For purpose of the above perquisites family means spouse, dependent parents and childrens.

(vi) Contribution to Provident fund, superannuation fund, Annuity fund to the extent as prescribed in the Company's rule.

(vii) Gratuity: The gratuity as per the rules of the Company, but shall not exceed one half months salary for each completed year of service.

(viii) Car for use on Company's business and telephone at residence will not be considered as perquisites. Personal long distance calls and use of car for private purpose shall be billed by the Company.

(ix) Leave unavailed of to be allowed to be en cashed as per rules of the Company.

(d) Minimum Remuneration:

Remuneration not exceeding the limit specified in Section I of the Part II of the Schedule XIII to the Companies Act, 1956 may be paid as minimum remuneration.

Memorandum of Interest

Save and except Mr. Kamal Lunawath, being the appointee and Mr. Vimal Lunawath, being brother of the appointee, none of the other Directors of the Company is, in anyway, concerned or interested in the resolution set out at item no.7 of the notice.

The Board commends the resolution set out at item no.7 of the notice for your approval.

ITEM 8.

The Board of directors of the Company at its meeting held on 04.11.2005 has appointed pursuant to provision of Section 260 of the Companies Act, 1956 and Article 96 of the Articles of Association of the Company, Mr. Vimal Lunawath as an additional Director of the Company.

In terms of provisions of Section 260 of the Companies Act, 1956, Mr. Vimal Lunawath would held office up to the date of this Annual General Meeting.

The Company has received a notice in writing from a member along with a deposit of Rs.500/- proposing the candidature of Mr. Vimal Lunawath for the office of the Director of the company under the provision of Section 257 of the Companies Act, 1956.

Memorandum of Interest

Save and except Mr. Vimal Lunawath, being the appointee and Mr.Kamal Lunawath, being brother of the appointee, none of the other Directors of the Company is, in anyway, concerned or interested in the resolution set out at item no.8 of the notice.

The Board commends the resolution set out at item no.8 of the notice for your approval.

ITEM 9.

The Board of directors after appointing Mr. Vimal Lunawath as an additional Director at its meeting held on 04.11.2005 has appointed, Mr. Vimal Lunawath as whole time Director subject to the approval of shareholders on the terms and conditions mentioned below. An abstract of the terms and conditions of appointment of Mr. Vimal Lunawath as Whole time Director pursuant to Section 302 of the Companies Act, 1956 have already been circulated to all the shareholders of the Company. Terms and conditions of appointment of Mr. Vimal Lunawath, Whole time Director:

(a) Tenure of appointment: for a period of 5 years with effect from 04.11.2005.

(b) Details of remuneration payable:

(i) Salary: Rs.25000/- per month including dearness and other allowances.

Memorandum of Interest

Save and except Mr. Vimal Lunawath, being the appointee and Mr. Kamal Lunawath, being brother of the appointee, none of the other Directors of the Company is, in anyway, concerned or interested in the resolution set out at item no.9 of the notice.

The Board commends the resolution set out at item no.9 of the notice for your approval.

ITEM 10.

The Board of directors of the Company at its meeting held on 30.12.2005 has appointed pursuant to provision of Section 260 of the Companies Act, 1956 and Article 96 of the Articles of Association of the Company, Mr. G Dilip Surana as an additional Director of the Company.

In terms of provisions of Section 260 of the Companies Act, 1956, Mr. G Dilip Surana would held office up to the date of this Annual General Meeting.

The Company has received a notice in writing from a member along with a deposit of Rs.500/- proposing the candidature of Mr. G Dilip Surana for the office of the Director of the company under the provision of Section 257 of the Companies Act, 1956.

Memorandum of Interest

Save and except Mr. G Dilip Surana, being the appointee, none of the other Directors of the Company is, in anyway, concerned or interested in the resolution set out at item no.10 of the notice.

The Board commends the resolution set out at item no.10 of the notice for your approval.

ITEM 11.

The Board of directors of the Company at its meeting held on 30.12.2005 has appointed pursuant to provision of Section 260 of the Companies Act, 1956 and Article 96 of the Articles of Association of the Company, Mr. Ravikant M Choudhary as an additional Director of the Company.

In terms of provisions of Section 260 of the Companies Act, 1956, Mr. Ravikant M Choudhary would held office up to the date of this Annual General Meeting.

The Company has received a notice in writing from a member along with a deposit of Rs.500/- proposing the candidature of Mr. Ravikant M Choudhary for the office of the Director of the company under the provision of Section 257 of the Companies Act, 1956.

Memorandum of Interest

Save and except Mr. Ravikant M Choudhary, being the appointee, none of the other Directors of the Company is, in anyway, concerned or interested in the resolution set out at item no.10 of the notice.

The Board commends the resolution set out at item no.11 of the notice for your approval.

ITEM 12.

The Board of directors of the Company at its meeting held on 30.12.2005 has appointed pursuant to provision of Section 260 of the Companies Act, 1956 and Article 96 of the Articles of

Association of the Company, Mr. Bharat M Jain as an additional Director of the Company.

In terms of provisions of Section 260 of the Companies Act, 1956, Mr. Bharat M Jain would held office up to the date of this Annual General Meeting.

The Company has received a notice in writing from a member along with a deposit of Rs.500/- proposing the candidature of Mr. Bharat M Jain for the office of the Director of the company under the provision of Section 257 of the Companies Act, 1956.

Memorandum of Interest

Save and except Mr. Bharat M Jain, being the appointee, none of the other Directors of the Company is, in anyway, concerned or interested in the resolution set out at item no.12 of the notice.

The Board commends the resolution set out at item no.12 of the notice for your approval.

ITEM 13.

Keeping in view the valuable contribution towards growth of the Company by Sri Jagdish R Bhatt, whole time Director, the Board of Directors recommended the revision in the remuneration of Sri Jagdish R Bhatt, whole time Director from Rs.12000/- per month to Rs.25000/- per month with effect from 1st March 2006.

The above statement may also be treated as an abstract under section 302 of the Companies Act, 1956.

Memorandum of Interest

Save and except Sri Jagdish R Bhatt, none of the other Directors of the Company is, in anyway, concerned or interested in the resolution set out at item no.13 of the notice.

The Board commends the resolution set out at item no.13 of the notice for your approval.

ITEM 14.

Keeping in view the valuable contribution towards growth of the Company by Sri. Col. A.L. Jayabhanu, whole time Director, the Board of Directors recommended the revision in the remuneration of Sri. Col. A.L. Jayabhanu, whole time Director from Rs.12000/- per month to Rs.25000/- per month with effect from 1st March 2006.

The above statement may also be treated as an abstract under section 302 of the Companies Act, 1956.

Memorandum of Interest

Save and except Sri Col. A L Jayabhanu, none of the other Directors of the Company is, in anyway, concerned or interested in the resolution set out at item no.14 of the notice.

The Board commends the resolution set out at item no.14 of the notice for your approval.

ITEM 15.

The Borrowings (except temporary loan from the Bankers in the ordinary course of business) by the Board of Directors of the Company should be within the limit of aggregate of paid up capital and free reserves of the Company. In case the money to be borrowed together with the money already borrowed exceeds the limit as specified above, consent of the Shareholders by means of an ordinary resolution has to be obtained for such borrowings. The Board of Directors of the Company has obtained the approval of shareholders at the Annual General Meeting held on 31st March, 2005 specifying that, the total amount of borrowing shall not exceed the sum of Rs.100 crores at any one time. During the year under review, the Board of Directors of the Company has the proposal to borrow loan for the purpose of business of the Company, which would exceed the approved limit of Rs.100 crores. Therefore in this regard the Board of Directors recommended that the total limit of borrowing together with money already borrowed shall not exceed the sum of Rs.200 crores at any one time subject to the approval of the Shareholders.

Memorandum of Interest

None of the Directors of the Company is, in anyway, concerned or interested in the resolution set out at item no.15 of the notice.

The Board commends the resolution set out at item no.15 of the notice for your approval.

By Order of the Board
For Arihant Foundations & Housing Limited

sd/-

Place: Chennai
Date: 18.02.2006

Priti Venkatesan
Company Secretary

DIRECTORS' REPORT

Your Directors take pleasure in presenting the 13th Annual Report to the Shareholders together with the audited Accounts for the year ended 30th September 2005.

FINANCIAL RESULTS

The year ended September 30, 2005 resulted in profit after tax of Rs.751 Lacs during the period.

PARTICULARS	2004-2005 (Rs. in Lacs)
Total Income	12560.98
Total Expenditure	11465.35
Profit before Interest and Depreciation	1095.63
Interest	226.81
Depreciation	34.92
Profit before Tax	833.90
Provision for tax	83.00
Profit after Tax	750.90

APPROPRIATIONS

Transfer to General reserve	37.55
Proposed Dividend (inclusive of dividend tax)	84.70
Balance profit carried forward	628.65

PERFORMANCE

It has been one more prospective year for the Company in achieving the excellent results with competition in the market and increase in the cost of raw materials. Efforts made to reduce all costs including interests helped to reduce the adverse impact.

The Company has achieved a turnover of Rs.59.51crores during the year as against Rs.28.60 crores in the previous year. The turnover has been more than doubled during the year. The Company has achieved an excellent result during the year. The profit for the year was Rs.751 lakhs and expecting improved results during the coming financial year 2005-2006. 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.

DIVIDEND

Your directors pleased to recommend dividend @ 15% i.e. Rs1.50 per equity share on pro rata basis on 6000000 equity shares of Rs.10 each for the financial year ended 30th September 2005, 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 17th March 2006 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 Company has accepted fixed deposits, from Shareholders.

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 small and large projects.

COMPLETED PROJECTS

Your Company had completed the following Projects during the year:

Arihant Vedant	A residential complex at Malony Road, Chennai - 600017.
Arihant E Park	A Commercial complex at L.B Road, Adayar, Chennai - 20.
Arihant Harmony	A residential complex at Spurtank Road, Chetpet, Chennai - 31.

ONGOING PROJECTS

The Company has the following ongoing projects:

Arihant Vaikunt	A residential complex at Pursawalkam, Chennai.
Arihant Technopolis	A commercial complex at Perungudi, Chennai-96.
Arihant Galaxy	A residential complex at T.H Road, Tondiarpet, Chennai-81.
Arihant Shloka	A residential complex at Secretariat Colony, Kilpauk, Chennai-10.
Arihant Insight	An IT Park at Ambattur, Chennai-58.
Arihant Fern Villa	Row houses at 73, Dr. Alagappa Road, Chennai - 7.

The above mentioned Projects will be completed within the stipulated time.

NEW PROJECT INITIATIVES

Your Company has already about 4 (four) residential projects in pipe line which may be launched in near future. One of the project will be launched in March, 2006 located at Thoraipakkam, Chennai, where the demand is enormous. Your Company planning to promote township projects near I.T Corridor at Old Mahabalipuram Road. Your Company is in the process of developing its land bank and has also identified large piece of land off. G.S.T Road.

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

The provisions of Section 217 (1) (e) of the Companies Act, 1956 are not applicable to the Company.

Conservation of Energy	: Not applicable
Technology Absorption	: Not applicable.
Foreign Exchange Earnings	: Nil.
Foreign Exchange Outgo	: Rs.3,05,410/-

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 sub-section (2A) of Section 217 of the Companies Act 1956.

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 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. The Directors took proper and sufficient care 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 directors prepared the annual accounts on a going concern basis.

DIRECTORS

Mr. Meghraj Lunawath, Director of the Company resigned from the Board of Directors with effect from 31.03.2005.

Mr. Rasiklal M Jhaveri, Promoter Director of the Company resigned from the Board of Directors with effect from 15.04.2005.

The Board wishes to place its acknowledgement for the valuable services rendered by Mr. Meghraj Lunawath and Mr. Rasiklal M Jhaveri during their tenure as Directors of the Company.

Demise of **Mr. Navratan Lunawath**, Chairman and Managing Director on 02.11.2005.

The Board expresses their condolence over the sad demise of Chairman and Managing Director and wishes to place their deep sense of appreciation for the valuable contribution made by Mr. Navratan Lunawath as founder and Chairman and Managing Director of the Company towards the growth of the Company, during his tenure.

Directors to be appointed pursuant to the provisions of Section 257 of the Companies Act, 1956:

Mr. Kamal Lunawath

Mr. Kamal Lunawath was appointed as an additional director of the Company and designated as Managing Director of the Company at the Board Meeting held on 04.11.2005 subject to the approval of the shareholders.

Mr. Kamal Lunawath, aged 32 years, Graduate in Commerce and has 12 years of rich experience in the field of real estate and construction. Earlier to his appointment as Managing Director of the Company he was an employee of the Company occupying the position of Executive Director and was not on the Board. Mr. Kamal Lunawath also occupies the position of Directorship in the below mentioned companies:

Name of the Company	Position
1. VAIKUNT HOUSING LIMITED, Chennai.	Director

Mr. Vimal Lunawath

Mr. Vimal Lunawath was appointed as an additional director and designated as Whole time Director of the Company at the Board Meeting held on 04.11.2005 subject to the approval of the shareholders.

Mr. Vimal Lunawath, aged 31 years, Graduate in Commerce and has 10 years of rich experience in the field of real estate and construction. Earlier to his appointment as whole time Director of the Company he was an employee of the Company occupying the position of Executive Director and was not on the Board. Mr. Vimal Lunawath also occupies the position of Directorship in the below mentioned companies:

Name of the Company	Position
1. VAIKUNT HOUSING LIMITED, Chennai.	Director

Mr. G Dilip Surana

Sri. G. Dilip Surana, aged 40 years, co-opted on Board with effect from 30.12.2005. He is Commerce Graduate. He has to his credit 20 years of rich experience in pharmaceuticals. He occupies the position of Directorship in the below mentioned Company.

Name of the Company	Position
1. Micro Lab Limited, Bangalore-1	Managing Director

Mr. Bharat M Jain

Mr. Bharat M Jain, aged 30 years, co-opted on the Board with effect from 30.12.2005. He has to his credit 9 years of rich experience in construction activities, especially in residential apartments and Industrial sheds.

Mr. Ravikant M Choudhary

Mr. Ravikant M Choudhary, aged 43 years, co-opted on the Board with effect from 30.12.2005. He is B.Sc, Mathematics, is a leading Stock Broker involved in stock broking activities. He has to his credit 15 years of rich experience in stock broking. Mr. Ravikant M Choudhary also occupies the position of Directorship in the below mentioned companies:

Name of the Company	Position
1. Arihanti's Securities Limited	Director
2. Arihant's Stock Brokers Limited	Managing Director
3. ASL Capital Holdings Private Limited	Managing Director
4. DMRR Comdex Private Limited	Director
5. Arihant Insur Brokk Private Limited	Director
6. Sambhav Energy Limited	Director

Directors to be reappointed pursuant to the provisions of Section 256 of the Companies Act, 1956:

Shri Alex Jacob

Shri Alex Jacob, Director of the Company, who is retiring by rotation, being eligible offer himself for reappointment.

Shri A. Damodaran

Shri A. Damodaran, Director of the Company, who is retiring by rotation, being eligible offer himself for reappointment.

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.

PERSONNEL

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

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 periodically and reviewed the status of redressal of investors' grievances. The shares of your Company are continued to be traded in Electronic Form and the dematting arrangement exists with both the depositories, viz., National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). As on 17.02.2006 33,74,975 shares have been dematerialized, representing 56.25% of the subscribed capital.

LISTING

The shares of your Company are listed at Madras Stock Exchange Limited and Bombay Stock Exchange Limited. The Company has paid the listing fees to both the Stock Exchanges for the Financial Year 2005-2006. The Company has also complied with the amendments in listing agreement from time to time.

During the financial year, the Company has allotted 10,00,000 equity shares and 10,00,000 convertible warrants on preferential basis. The Company is in the process of listing the additional 10,00,000 equity shares with the Stock Exchanges in which Company's securities are listed. The Company has submitted the listing application and the necessary documents with the Stock Exchanges for the listing of additional 10,00,000 equity shares and awaited listing.

TRANSFER OF UNPAID DIVIDEND TO INVESTOR EDUCATION AND PROTECTION FUND.

Pursuant to the provision of section 205A(5) of the Companies Act, 1956, any amount in the unpaid dividend account not claimed for seven years from the date of transfer of unclaimed amount to the aforesaid account shall be transferred to the Investor Education Protection Fund constituted under Section 205C of the Companies Act 1956.

Since the period of seven years over, the Company in conformity with the aforesaid provision has transferred an unclaimed amount of Rs.19671/- related to Dividend for the period 1996-97 to Investor Education and Protection Fund.

Further the Company hereby informing all those shareholders to claim their dividends who have not yet claimed their dividends for the subsequent years.

REFUND OF TAX LIABILITY

As per the Income Tax assessment, a tax liability of Rs.1,37,40,500/- levied for the assessment year 2001-02, for which the Company had filed an appeal before the Commissioner of Income Tax. The appeal has been decided in favour of your Company. The Board of Directors acknowledge with appreciation to M/s. B.P Jain & Co., Company's Statutory Auditors for the same.

ACKNOWLEDGEMENTS

Your Directors acknowledge with appreciation the support and cooperation extended to the Company by ELCOT, CMDA, Corporation of Chennai. The Company is also thankful to Bank of Baroda, Indian Overseas Bank, Corporation Bank, Vijaya Bank, ICICI Bank Limited, IDBI Limited, Oriental Bank of Commerce, Punjab and Sind Bank for their support and co operation.

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

Sd/

Place: Chennai
Date: 18.02.2006

(KAMAL LUNAWATH)
Chairman and Managing Director

ANNEXURE TO THE DIRECTORS' REPORT

Explanation for the observations made in Auditor's Report :

1. To point no. 4 (iv) The company has not made provision in accordance to AS-15, as it is being disallowed as per Income Tax Act. The Company has not provided for deferred taxation on assets and liabilities due to shortage of trained manpower.
2. To point no. (5) The transaction of purchase of goods and material and sale of goods, material and services, made in pursuance of contracts and/or arrangements entered in the registers maintained under section 301 of the Companies Act, 1956 has entered at market prices and they are in regular business of these goods and services.
3. To point no. (6) The company has outsourced for filing of return of deposit and the same will be filed shortly.

REPORT ON CORPORATE GOVERNANCE:

1.0 Company's philosophy on code of Governance:

Corporate Governance is concerned with good practice by the Board and Management of the Company, taking in to consideration the ethics and values of management to carry out its objectives in a smooth and healthy way and to sustain esteemed growth of business that are in the best interest of the Company and the shareholders, who are the real owners of the Company.

2.0 Board of Directors

2.1 The Board of Directors of Arihant Foundations & Housing Limited consist of Six Directors as on 30.09.2005.

2.2 The break up of the total composition of the Board as on 30.09.2005 is as follows:

Sl. No.	Name of the Directors	Designation	Executive/ Non- executive/ Independent
1.	Sri. Navratan Lunawath	Chairman & Managing Director	Executive
2.	Sri. Col. A.L. Jayabhanu	Whole time Director	Executive
3.	Sri. Jagdish R Bhatt	Whole time Director	Executive
4.	Sri. A. Damodaran	Director	Non-Executive & Independent
5.	Sri. Alex Jacob	Director	Non-Executive
6.	Sri. Harisharanlal Trivedi	Director	Non-Executive & Independent

The Company has complied with clause 49 (1A) of the Listing Agreement having an optimum number of Non- Executive Directors with a maximum of fifty percentage.

Since the Chairman is executive, half of the Board strength need to be Independent, whereas only two non executive directors are Independent.

Mr. Alex Jacob is a Non executive Director and is not qualified to be an Independent Director. He is being paid by the Company consultancy fees for structural engineering.

Keeping in view the revised clause 49 of the listing agreement, the Company is in the process of inducting sufficient number of Independent Directors.

Details relating to:

(a). Attendance of Directors at the Board meetings held during the financial year October 2004 to September 2005 and at the last Annual General Meeting held on 31.03.2005.

(b) Number of other directorships, and

(c) Number of memberships / chairmanships held by the Directors in the Committee's of various companies are given below:

	Name of the Directors	No. of Board Meetings Attended	whether attended last A.G.M	Other Directorships	Committee Memberships	Committee Chairmanships
1.	Navratan Lunawath	25	Yes	-	1	-
2.	Rasiklal M. Jhaveri*** (Retired)	09	Yes	-	1	-
3.	Jagdish R. Bhatt	25	Yes	-	1	-
4.	Col. A.L.Jayabhanu	25	Yes	-	-	-
5.	Alex Jacob	14	No	-	1	-
6.	Damodaran A	18	Yes	1	-	1
7.	Meghraj Lunawath** (Resigned)	09	No	-	-	-
8.	Mahaveer Lunawath* - (Resigned)	03	No	2	-	-
9.	Harisharanlal Trivedi	13	Yes	-	1	1

Note : The position of membership and Chairmanship in Committees held by the Directors of the Company as mentioned above is only in "Arihant Foundations & Housing Limited" as per the information available with the Company.

- * Mr. Mahaveer Lunawath resigned from the Board on 11.02.2005 and ceased to be a Director with effect from that date.
- ** Mr. Meghraj Lunawath resigned from the Board on 31.03.2005 and ceased to be a Director with effect from that date.
- *** Mr. Rasiklal M Jhaveri, Promoter executive Director resigned from the Board on 15.04.2005 and ceased to be a Director with effect from that date.

2.3 Twenty five (25) Board meetings were held during the financial year 01.10.2004 to 30.09.2005 and the dates on which the Board meetings were held are given below:

No. of Board Meetings.	Date of Board Meetings.
01	09.10.2004
02	30.11.2004
03	01.12.2004
04	31.12.2004
05	31.01.2005
06	11.02.2005
07	18.02.2005
08	08.03.2005
09	15.03.2005
10	15.04.2005
11	30.04.2005
12	20.05.2005
13	21.05.2005
14	01.06.2005
15	07.06.2005
16	23.06.2005
17	11.07.2005
18	23.07.2005
19	28.07.2005
20	30.07.2005
21	19.08.2005
22	31.08.2005
23	09.09.2005
24	12.09.2005
25	28.09.2005

2.4. Brief resume of the Directors seeking appointment / re-appointment in the 13th Annual General Meeting to be held on 24th March, 2006:

Shri Alex Jacob

2.4.1. Shri Alex Jacob, aged 64 years is a Director of the Company, who is retiring by rotation and is eligible for reappointment. He was appointed on the Board with effect from 12.06.1995. He is B.E., MTech., Dip Bdg. Sc. M.L.E (Aust). He is a consulting Engineer and has

worked as Design Engineer with Government of Australia for four years. He is having 38 years of rich experience in Structural Engineering and executing projects in India and Abroad.

Shri A. Damodaran

2.4.2 Shri A. Damodaran, age 69 years is a Director of the Company, who is retiring by rotation and is eligible for reappointment. He was appointed on the Board with effect from 12.06.1995. He is B.E (Civil), M.Sc.(Eng.). He is a retired Chief Planner of CMDA and having 40 years of experience in town and country planning. He also occupies the position of Honorary Director in Ind Bank Housing, Chennai.

3.0 AUDIT COMMITTEE:

3.1 * During the Financial year the Audit Committee has been reconstituted.

Composition, Names of Members and Chairperson as on 30.09.2005:

- | | |
|------------------------------|------------------------------------|
| 1. Mr. A. Damodaran | : Chairman of the Audit Committee. |
| 2. Mr. Alex Jacob | : Member of the Audit Committee. |
| 3. Mr. Harisharanlal Trivedi | : Member of the Audit Committee. |

* Due to resignation of Mr. Meghraj Lunawath from the Directorship with effect from 31.03.2005, his position as Chairman of the Audit Committee automatically ceased, Mr. Harisharanlal Trivedi inducted as a member of the Committee and the Committee reconstituted under the Chairmanship of Mr. A Damodaran, Independent Director of the Company with effect from 15.04.2005.

3.2 Terms and reference of Audit Committee :
The Audit Committee has been vested with the following powers and roles:

3.2.1 Powers of Audit Committee:

1. To investigate any activity within its terms of reference;
2. To seek information from any employee;
3. To obtain outside legal or other professional advice;
4. To secure attendance of outsiders with relevant expertise, if it considers necessary.
5. To have full access to information contained in the records of the Company and professional advice, if necessary.

3.2.2 Role of Audit Committee:

1. Overseeing of the company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
2. Recommending the fixation of audit fees and for payment of any other services.
3. Reviewing with the management the annual financial statements before submission to the Board, focusing primarily on:

- Any Changes in accounting policies and practices.
- Major accounting entries involving estimates based on exercise of judgment by management.
- Qualifications in draft audit report.
- Significant adjustments arising out of audit.
- The going concern assumption.
- Compliance with accounting standards.
- Compliance with Stock Exchanges and legal requirements concerning financial statements.
- Any related party transactions, i.e., transactions of the Company of material nature, with promoters or the management, their subsidiaries or relatives, etc., that may have potential conflict with the interests of Company at large.

4. Discussion with the external auditors before the audit commence, nature and scope of audit as well as have post audit discussion to ascertain any area of concern.
5. Reviewing the Company's financial and risk management policies.
6. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non- payment of declared dividends) and creditors.
7. Any other functions that may be assigned by the Board from time to time.

- 3.3. **Audit Committee Meeting:** Six Audit Committee meetings were held during the Financial year 01.10.2004 to 30.09.2005.

No. of Audit Committee Meetings.	Date of Meetings.
----------------------------------	-------------------

01	31.12.2004
02	31.01.2005
03	30.04.2005
04	23.07.2005
05	19.08.2005
06	28.09.2005

4.0 Remuneration:

- 4.1 The details of remuneration paid to all the directors are given below:

Executive Directors
(Managing/ Whole-time Directors)

- 4.1.1 The remuneration of the Managing Director/ whole-time Directors include basic salary, allowance and perquisites as determined by the Board.

- 4.1.2 The gross value of the fixed components of the remuneration, as explained above, paid to the whole time functional Directors , during the financial year 2004-2005 is given below :

Name of the Directors	Salaries and Allowances	Other Benefits.
Shri. Navratan Lunawath Chairman and Managing Director.	Rs.40,000/- p.m.+ 1% commission on net profit.	Company Car.
Shri.Rasiklal. M Jhaveri Whole time Director	Rs.12,000/- p.m. Up to 15.04.2005	
Shri.Jagdish R Bhatt Whole time Director	Rs.12,000/- p.m.	
Shri.Col. A.L Jayabhanu Whole time Director	Rs.12,000/- p.m.	

Non- Executive Directors

The Company has not paid any remuneration to Non-Executive Directors except sitting fees for attending meetings of the Board of Directors and committee thereof. The details of sitting fees paid to non executive directors during the financial year 2004-05 are as under:

Name of the Director	Designation	Total sitting fees paid (Rs.)
Shri. Meghraj Lunawath	Director	5000.00
Shri. Mahaveer Lunawath	Director	1000.00
Shri Damodaran A	Director	10500.00
Shri. Harisharanlal Trivedi	Director	11000.00

5.0 Shareholder's / Investor's Grievance Committee

5.1. * During the year the Shareholder's / Investor's Grievance Committee has been reconstituted.

Composition, Names of Members and Chairperson as on 30.09.2005

1. Mr. Harisharanlal Trivedi	Chairman of the Committee
2. Mr. Navratan Lunawath	Member of the Committee
3. Mr. Jagdish R Bhatt	Member of the Committee

* Due to retirement of Mr. Rasiklal M Jhaveri from Directorship with effect from 15.04.2005, his position as a member of the Shareholder's / Investor's Grievance Committee automatically ceased. Mr. Harisharanlal Trivedi inducted to the Committee with effect from 15.04.2005 and the Committee reconstituted under the Chairmanship of Mr. Harisharanlal Trivedi, who is a Non -Executive Director of the Company..

Twenty Committee meetings for shareholders/ Investors grievance, approval of share transfers, transmission were held during the financial year 01.10.2004 to 30.09.2005 and the dates on which the meetings were held are given below:

No. of Shareholders/ Investors Grievance Committee Meetings.	Date of Meetings.
01	30.10.2004
02	15.11.2004
03	30.11.2004
04	20.12.2004
05	31.12.2004
06	17.01.2005
07	31.01.2005
08	17.02.2005
09	28.02.2005
10	01.04.2005
11	18.04.2005
12	05.05.2005
13	13.05.2005
14	31.05.2005
15	15.06.2005

16	05.07.2005
17	15.07.2005
18	30.07.2005
19	16.08.2005
20	31.08.2005

5.1.1 Name and designation of Compliance officer. Mrs. Priti Venkatesan, Company Secretary and Mr. O.P Madhav, Manager-Secretarial.

5.1.2 Number of shareholder's complaints received so far, number not solved to the satisfaction of shareholders and number of pending share transfers for the period from 01.10.2004 to 30.9.2005:

S. No.	Nature of complaints	Opening Balance on 1.10.04	Received during the financial year 04-05	Total	Solved during the financial year 04-05.	Pending as on 30.9.05
1.	Non-receipt of Share Certificate	NIL	2	2	2	NIL

6.0 General Body Meeting

6.1 The Particulars of the last three General Body Meetings of members were held as under:

Sl. No.	Nature of Meeting	Date, Day and Time of Meeting	Venue
1.	10 th A.G.M	31.03.2003 Monday 11.00 A.M	Narayana - Arihant Ocean Tower, No.77(Old No. 38), Wallajah Road Triplicane, Chennai-5.
2.	11 th A.G.M	31.03.2004 Wednesday 10.00 A.M.	Arihant - Sivasakthi, 93(old no.77) Sydenhams Road, Periamet, Chennai-3.
3.	12 th A.G.M	31.03.2005 10.30 A.M	Days Inn, Deccan Plaza Door no.36, Royapettah High Road, Royapettah, Chennai-14.
4.	E. G. M	16.09.2005 12.05 P.M	Days Inn, Deccan Plaza Door no.36, Royapettah High Road Chennai-14.

6.2 Special Resolution / Postal Ballot details:

No special resolutions were passed in the previous three Annual General Meetings.

During the financial year 01.10.2004 to 30.09.2005, the Company has passed the special resolutions at the Extra Ordinary General Meeting of the Company held on 16th day of September, 2005 to carry out the below mentioned special businesses:

- (i) Alteration of capital clause of Articles of Association.
- (ii) Issue of equity shares and convertible warrants on preferential basis.

No special resolution has been passed through postal ballot and nor any special resolution is proposed to be conducted through postal ballot.

7.0 Disclosures

7.1 Disclosure on materially significant related party transactions during the period 01.10.2004 to 30.09.2005.

Sl. No	Name and Category of Related Party (Key Management personnel & Relatives)	Nature of Transactions	Amount involved in the transaction Rs.
1.	Sri. Navratan Lunawath	Remuneration	13,27,000.00
		Loan Received	82,50,000.00
		Loan Repaid	1,11,80,479.00
2.	A.L. Jayabhanu	Remuneration	1,44,000.00
3.	Jagadish R Bhatt	Remuneration	1,44,000.00
4.	Rasiklal M. Jhaveri	Remuneration	72,000.00
5.	Alex Jacob	Professional fees for structural engineering services	55,29,489.00
6.	Kamal Lunawath	Salary	2,34,000.00
7.	Vimal Lunawath	Salary	2,34,000.00
8.	Snehalatha Lunawath	Received towards preferential allotment of convertible warrants	70,35,000.00
9.	Shreyans Builders	Loan Received	15,00,000.00
10.	Mahaveer Chand Lunawath	Loan Granted	25,00,000.00

Note : Sl.No. 1 to 5 are under key management personnel category and 6 to 10 are under relatives of key management personnel category.

7.2 By and large the company has complied with all the regulation of SEBI and Stock Exchange.

7.3 Details of non compliance by the company, penalties, strictures imposed on the Company by Stock Exchange or SEBI or any statutory authority, on any matter related to capital markets, during the last three years: NIL.

7.4 The Company has complied with all the mandatory aspects of Corporate Governance. Non adoption of non- mandatory requirements given as an Annexure to this report and marked as **Annexure II**.

8.0 Means of Communication

8.1 The Board of Directors of the Company takes on record the un-audited Financial Results in the prescribed form within one month of the close of every quarter and announces the results to all the Listed Stock Exchanges in conformity with SEBI guidelines.

The quarterly financial results are also published in the news papers and details and date of publications are as under:

Quarter Ended	Name of English Daily	Name of Regional Daily	Date of Publication
31.12.2004	NEWS TODAY	Maalai Sudar (TAMIL)	31.01.2005
31.03.2005	NEWS TODAY	Maalai Sudar (TAMIL)	02.05.2005
30.06.2005	NEWS TODAY	Maalai Sudar (TAMIL)	24.07.2005

Un-audited financial results for the quarter ended 31.03.2005 and 30.06.2005 also published in Economic times dated 09.05.2005 and 26.07.2005 respectively for circulation in Chennai., Mumbai and Delhi.

8.2. The quarterly un-audited financial results and audited Annual results are hosted on the Company's website at : www.arihantfoundations.com

8.3. **Management Discussion and Analysis Report** forms part of the Annual report for year 2004-2005, given as an Annexure I to the Director's Report 2004-2005.

9.0. General Shareholder Information

- i. Number of Annual General Meeting (AGM) : 13th Annual General Meeting.
- Date & Time : 24th March, 2006, 10.25 A.M

- Venue : Days Inn, Deccan Plaza
Door No.36,
Royapettah High Road,
Royapettah, Chennai-14.
- ii. Financial Calendar : October to September.
- iii. Book closure Date : 18.03.2006 to 24.03.2006
(both the days inclusive)
- iv. Dividend dispatch date : within a maximum of 30 days
from 24th March, 2006.

v. Listing on Stock Exchanges :

- Madras Stock Exchange Limited
" Exchange Building"
11, Second Line Beach, Chennai-1
Mail to :- mseed.@ md3.vsnl.net.in.
- Bombay Stock Exchange Limited
Phiroze Jeejeebhoy Towers
Dalal Street, Mumbai-400001
Website:- www.bseindia.com

vi. Stock code :

Bombay Stock Exchange Limited - 531381
Madras Stock Exchange Limited - AFD

Trading symbol in Madras Stock Exchange:- Arihant Foun
ISIN No. for dematerialised shares:- INE 413D01011.

vii. Market Price Data – High, Low during each month in the
last financial year:

BOMBAY STOCK EXCHANGE LIMITED (BSE)

(in Rupees)

Month	High	Low
October 2004	14.00	9.00
November 2004	15.40	10.60
December 2004	21.37	10.00
January 2005	17.95	12.60
February 2005	34.50	12.15
March 2005	36.45	25.05
April 2005	56.50	32.35
May 2005	97.20	46.00
June 2005	142.85	79.95
July 2005	148.00	113.00
August 2005	294.85	146.00
September 2005	373.95	256.00

viii. Registrar and Share transfer Agent:-

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

ix. Share Transfer system

For dematerialization of shares, electronic connectivity exists with Cameo Corporate Services Limited (Company's S.T.A).The number of meetings held for approving the transfers, transmission, transposition and the demat requests from 01.10.2004 to 30.09.2005 is 20.

x. Distribution of Shareholding as on 30.9.2005

Slab	Number of Shareholders		No. of Shares	
Rs.	No	% of Total	No.	% of Total
Up to 5000	1100	71.71	164915	2.75
5001 - 10000	103	6.71	88232	1.47
10001 - 20000	68	4.43	108059	1.80
20001 - 30000	59	3.85	149423	2.49
30001 - 40000	24	1.56	83994	1.40
40001 - 50000	34	2.22	163618	2.73
50001 - 100000	62	4.04	500468	8.34
100001 and Above	84	5.48	4741291	79.02
	1534	100.00	60,00,000	100.00

xi. Shareholding pattern as on 30.9.2005.

Sl No.	Categories	Number of Shares	% of Shareholding
1.	Promoter's (including Person acting in concert)	24,18,600	40.31
2.	Banks	7,000	0.12
3.	Private Corporate bodies	12,66,576	21.11
4.	Indian Public	22,77,853	37.97
5.	NRI's	6,250	0.10
6.	Trust	2,000	0.03
7.	Clearing Member	21,721	0.36
	Total	60,00,000	100.00

xii. Dematerialisation of Shares and liquidity.

The dematting facility exists with both the National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) for the convenience of shareholders. As on 30.09.2005, 15,77,375 shares have been dematerialised, representing 26.29 % of the Subscribed capital.

The shares of the Company are under BSE INDONEXT Module and are actively trading on Bombay Stock Exchange Limited (BSE).

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

During the Financial year 01.10.2004 to 30.09.2005, the Company has allotted 10,00,000 convertible warrants on preferential basis at the Board meeting held on 28.09.2005 after obtaining approval of the shareholders at the Extra Ordinary General Meeting held on 16th September, 2005. The convertible warrants will be convertible into fully paid equity shares before the expiry of 18 months from the date of allotment. Now the equity base of the Company is 60000000 (6000000 equity shares of Rs.10 each). After full conversion of warrants into fully paid equity shares the equity base will be 70000000 (7000000 equity shares of Rs.10 each).

xiv. Plant Locations.

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

xv. Address for correspondence

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

ANNEXURE- I

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

1. Industry Structure and Developments

With the increasing demand for large residential and commercial complexes in and around the City, the future market growth of the construction industry is promising extremely. The demand for Grade A offices built to suite for IT Parks and ITES is increasing tremendously.

With the increasing number of players including few established construction Companies from other cities entering into Chennai, the competition is getting tougher day by day. We with the established brand name and customer satisfaction can take this challenge from the front.

2. Opportunities and Threats

Company having realised that Chennai offers better infrastructure than many other Indian cities with large pool of qualified human resources, the city is fast emerging as one of the most preferred destinations for IT and BPO Companies in the World. A survey on global off shoring destination has ranked Chennai amongst the top ten destinations in the World. With the increased awareness on quality, better amenities and comfort-ability criteria, the Company should position itself well to counter this by focusing on quality, service levels and of course customer care with an improved range.

In addition thrust will be in the nature of customer satisfaction, competition in market, risk management to achieve the desired goal of the Company.

3. Outlook

The demand for office space in Chennai is expected to be in the range of 20 to 25 million sq.ft. in the current year 2006. New supply of Grade 'A' office space in the city is expected to be in the same range. The IT, ITES sectors will continue to drive the market. The commercial office space supply is currently lagging demand and this imbalance is likely to remain till the first quarter of 2007.

The rentals in the CBD (Central Business Districts) and off CBD and the suburban areas continue to rise as demand for the property is on the upswing. The participation of the National and International developers/funds in the development of IT parks and commercial buildings is likely to increase the quantity and quality complexes.

4. Risks and Concerns

Real estate is directly related to the economic activity of the Nation and it is presently poised for a rapid growth but slow down in economy of the Country, which can have partial effect on the projected growth of the Company.

5. Discussion on Financial and Operational performance

In terms of financial performance, financial year 2004-05 is a prospective year for the Company. Turnover of the Company during the year is Rs.59.51 crores as against previous year turnover of Rs.28.60 crores. The turnover has been more than doubled during the year. Profit after tax of the Company during the year is Rs.750.90 lacs as against previous year Profit of Rs.58.27 lacs. Consequently the Earning Per share during the year reached to Rs.12.51 as against previous year EPS of Rs.1.17. The Market price of share of the Company

touched to Rs.374/-. Also there is a recommendation of dividend at 15% on the paid up equity capital of the Company.

During the year the Capital base of the Company has been enhanced. Authorised capital from Rs.6 crores to Rs.7 crores and paid up capital of the Company from Rs.5 crores to Rs.6 crores by making preferential allotment of 10,00,000 equity shares and 10,00,000 convertible warrants at a price of Rs.201/- each(including premium of Rs.191/-). So far the convertible warrants are not converted into equity shares.

In terms of operational performance, be it a residential complex, commercial complex or IT Park, the Company has created the brand image of excellence in all these fields with exceptionally good elevation and modern infrastructure in and around the city of Chennai.

ANNEXURE- II

Non-mandatory Requirements:

The Company at present has not adopted the non mandatory requirements relating to

(1) Non executive Chairman:

Reason: the Company has been maintaining executive Chairman.

(2) Remuneration Committee:

The Company has not constituted Remuneration Committee.

Reason: Remuneration is paid to the Managing Director and Whole time Directors in compliance with Section I of Part II to the Schedule XIII of the Companies Act,1956. Since the approval of Remuneration Committee is not required, Remuneration Committee has not been constituted.

(3) Shareholders Rights:

Reason: The Company has not forwarded to the household of the shareholders, the half yearly financial performance of the Company as it is a non mandatory requirement. However the company has published the quarterly un audited financial results and yearly audited financial results and posted the same in the Company's website: www.arihantfoundations.com.

(4) Postal Ballot:

Reason: The Company has not passed any resolution by postal ballot. However the Company has obtained the necessary approval from the shareholders by conducting Extra Ordinary General Meeting for those businesses which are not required to be passed by resolution by Postal ballot.

COMPLIANCE CERTIFICATE ON CORPORATE GOVERNANCE

To,

The Share Holders

We have reviewed the implementation of Corporate Governance conditions by Arihant Foundations & Housing Limited for the year ended 30.09.2005, as stipulated under clause - 49 of the Company's Listing Agreement with Madras Stock Exchange Limited and Bombay Stock Exchange Limited.

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.

In our opinion and to the best of our information and 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 for the year ended 30th September 2005.

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

Place : Chennai
Date : 25.10.2005

sd/-
Devendra Kumar Bhandari
Partner

AUDITOR'S REPORT

TO THE MEMBERS OF M/S ARIHANT FOUNDATIONS & HOUSING LTD, CHENNAI.

1. We have audited the attached Balance Sheet of M/S Arihant Foundations & Housing Limited, Chennai as at 30th September 2005, the profit & Loss Account for the year ended on that date and also the cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing Standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we annex hereto a statement on the matters specified in paragraphs 4 and 5 of the said Order, to the extent applicable.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
 - i. We have obtained all the information and explanation, which to the best of our knowledge and belief were necessary for the purpose of our audit.
 - ii. In our opinion, proper books of accounts as required by law have been kept by the company so far as appears from our examination of those books. The company does not have any branches. Hence branch audit and branch audit report is not applicable.
 - iii. The Balance Sheet and Profit & Loss Account and Cash flow statement dealt with by this report are in agreement with the books of Account and the company has no branches.
 - iv. In our opinion, the Balance Sheet, Profit & Loss Account and Cash flow statement dealt with by this report comply

with the accounting standards referred to in sub - section (3C) of Section 211 of the Companies Act, 1956, to the extent applicable except AS - 15 and AS - 22.

- v. The rate of cess payable under section 441A of Companies Act, 1956, has not been notified hence the same is not paid / provided by the company.
- vi. On the basis of written representations received from the directors as on 30th September, 2005 and taken on record by the Board of Directors wherever applicable, we report that none of the directors is disqualified as on 30th September, 2005 from being appointed as a director of the company in terms of clause (g) of Sub Section (1) of Section 274 of the companies Act, 1956.
- vii. In our opinion, and to the best of our information and according to the explanations given to us, the said accounts together with the notes thereon and the schedules attached thereto, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India.
 - a) In the case of Balance Sheet of the state of affairs of the Company as at 30th September, 2005, and
 - b) In the case of the Profit and Loss Account of the Profit of the Company for the year ended on that date.
 - c) In the case of the Cash flow Statement, of the cash flows for the year ended on that date.

**For B.P.JAIN&CO.,
CHARTERED ACCOUNTANTS.**

Place : Chennai
Date : 25.10.2005

Sd/-
Devendra Kumar Bhandari
Partner

ANNEXURE REFERRED TO IN PARAGRAPH 4 OF AUDITOR'S REPORT OF EVEN DATE ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH SEPTEMBER 2005 OF M/S ARIHANT FOUNDATIONS&HOUSING LTD.

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

1. (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) All the fixed assets have been physically verified by the management during the year and there is a program of verification which in our opinion is reasonable having regard to the size of the company and the nature of its business. No material discrepancies were noticed on such verification.
- (c) The company has not disposed off the substantial part of the fixed assets during the year covered under the audit.
2. (a) The stock of construction materials have been physically verified at periodic intervals by the management.
- (b) The procedure of physical verification of stocks of building material, followed by the management is reasonable and adequate in relation to the size of the company and the nature of its business.
- (c) The company does not maintain stock records of raw materials. We are of the opinion that the valuation of the stock of building material is as per normally accepted accounting principles. The company has not identified slow moving building stock separately and no other significant discrepancies have been noticed on the physical verification of the inventories conducted by the management.
3. (a) The company has granted loans, secured or unsecured to the 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: 14
 - Amount involved in the transaction: 3.32 crores
- (b) The rate of interest and other terms and conditions of loans given by the company, secured or unsecured, are not prima facie prejudicial to the interest of the company.
- (c) The receipt of the principal amount and interest are also regular from parties.
- (d) Where the over due amount is more than Rs. 1 lakh, reasonable steps have been taken by the company for recovery of the principal and interest.
- (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: 10
 - Amount involved in the transaction: 5.20 crores
- (f) The rate of interest and other terms and conditions of loan taken by the company, secured or unsecured, are not prima facie prejudicial to the interest of the company.
- (g) The payment of the principal amount and the interest are also regular to the parties.
4. The company has an adequate internal control procedure commensurate with the size and the nature of the business for the purchase of stores and raw materials, plant and machinery equipment and other assets and for the sale of finished stock.
5. (a) In our opinion, and to the information and explanation given to us, the particulars of contracts or 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) The transactions made in pursuance of such contracts or arrangements which are exceeding the value of Rs. 5 lakhs in respect of one party and in any one financial year seems at market value considering the market situation.
6. The company has accepted deposits from share holder and the directives issued by the RBI and the provisions of Sections 58A of the companies Act, 1956 and the rules framed there under have not been duly complied with. The company has not filed annual return of deposits as prescribed under the rules.
7. In the case of listed companies and/or other companies having a paid up capital and reserves exceeding Rs. 50 lakhs as at the commencement of the financial year concerned, or having an average annual turnover exceeding five crore rupees for a period of three consecutive financial years immediately preceding the financial year concerned, the company has an adequate internal audit system commensurate with the size and the nature of the business.
8. Maintenance of cost records has not been prescribed by the central Government under section 209(1)(d) of the companies Act, 1956
9. According to the information and explanation given to us in respect of statutory dues:
- (a) The company has been regular in depositing undisputed statutory dues including Income Tax, Sales Tax, Wealth Tax, Investor Education and Protection Fund, Cess and other material statutory dues with the appropriate authorities during the year.

- (b) Income Tax dispute is Rs. 1,37,40,500 which is pending with the Commissioner of Appeals. The Company has paid Rs. 93,50,000 in adherence to installment scheme granted by the department of Income Tax.
10. Being a company registered for a period not less than five years, there are no accumulated losses at the end of the financial year and there are no cash losses in the financial year & in the financial years preceding such financial year also.
11. The company has not defaulted in repayment of dues to any financial institution or Bank. (Except in case of HUDCO, where in the company is disputing the amount of interest payment / principal payment and rate of interest due to non release of NOC in favour of the prospective buyers vide court case no Q.A. No .78 of 2004 and also filed contempt petition vide petition no.348/2004).
12. The company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other investments.
13. The special statutes applicable to chit fund is not applicable to the company since the company is not a chit fund company.
14. The company is not dealing or trading in shares, securities, debentures and other investments.
15. The company has not given any guarantee for loans taken by others from banks or financial institutions.
16. The term loans were applied for the purpose for which the loans were obtained.
17. The funds raised on short – term basis have not been used for long- term investments and vice versa.
18. The company has made the preferential allotment of Convertible Warrants to one of the party covered in the register maintained u/s 301 of the Companies Act, 1956. The price at which shares have been issued is not prejudicial to the interest of the Company.
19. The company has not issued any debentures to create the securities.
20. The management has received the amount of funds of preferential allotment of shares and the shares were allotted on 28th September, 2005. Details of utilisation of fund given in Notes on Accounts vide No. 13.
21. No fraud on or by the company has been noticed or reported during the year.

**For B.P.JAIN&CO.,
CHARTERED ACCOUNTANTS.**

Place : Chennai
Date : 25.10.2005

Sd/-
Devendra Kumar Bhandari
Partner

Name of the Party	No. of convertible warrants	Amount involved
Snehalatha Lunawath	3,50,000	Rs.70,35,000/-

19. The company has not issued any debentures to create the securities.

ARIHANT FOUNDATIONS & HOUSING LIMITED
BALANCE SHEET AS AT 30TH SEPTEMBER 2005

	SCHEDULE NO	AMOUNT AS ON 30.09.2005 (12 MONTHS)	AMOUNT AS ON 30.09.2004 (12 MONTHS)
I SOURCES OF FUNDS			
(1) SHARE HOLDER'S FUNDS			
(A) SHARE CAPITAL	I	60000000.00	50000000.00
(B) RESERVES & SURPLUS	II	389371869.46	111652556.19
		449371869.46	161652556.19
(2) LOAN FUNDS			
(A) SECURED LOANS	III	557466585.12	445641021.78
(B) UNSECURED LOANS	IV	212312656.48	184627841.00
		769779241.60	630268862.78
TOTAL		1219151111.06	791921418.97
II APPLICATION OF FUNDS			
(1) FIXED ASSETS			
a) GROSS BLOCK	V	133660038.97	129360928.22
Less: DEPRECIATION		8559167.17	5467958.70
Net Block		125100871.80	123892969.52
(2) INVESTMENTS	VI	905353.00	1129352.00
(3) CURRENT ASSETS, LOANS & ADVANCES			
(i) CURRENT ASSETS			
a) INVENTORIES	VII	632872235.98	485217542.36
b) SUNDRY DEBTORS	VIII	366840636.81	318563460.71
c) CASH & BANK BALANCE	IX	228762531.34	12386106.06
(ii) LOANS & ADVANCES	X	207280755.90	161785420.47
		1435756160.03	977952529.60
LESS: CURRENT LIABILITIES AND PROVISIONS			
a) CURRENT LIABILITIES	XI	332817330.41	305354107.56
b) PROVISIONS	XII	9963943.42	6109536.73
		342781273.83	311463644.29
(4) MISCELLANEOUS EXPENSES TO THE EXTENT NOT WRITTEN OFF	XIII	170000.06	410212.14
TOTAL		1219151111.06	791921418.97
Significant accounting policies and notes forming part of accounts	XVIII		

As per our attached report of even date
for **B.P. Jain & Co.**
Chartered Accountants

sd/-
Devendra Kumar Bhandari
Partner

CHENNAI
25.10.2005

for and on behalf of board
for **Arihant Foundations & Housing Limited**
sd/-

Navratan Lunawath
Chairman & Managing Director

sd/-
Jagdish Bhatt
Wholtime Director

sd/-
Priti Venkatesan
Company Secretary

ARIHANT FOUNDATIONS & HOUSING LIMITED
PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDING 30.9.2005

	SCHEDULE NO	AMOUNT AS ON 30.09.2005 (12 MONTHS)	AMOUNT AS ON 30.09.2004 (12 MONTHS)
I. INCOME			
(A) INCOME FROM OPERATIONS	XIV	1247821099.48	784497114.36
(B) OTHER INCOME		8276884.00	6366883.33
TOTAL		1256097983.48	790863997.69
II. EXPENDITURE			
(A) CONSTRUCTION EXPENSES	XV	1120756644.50	733932502.76
(B) ADMINISTRATION AND ESTABLISHMENT EXPENSES	XVI	25778367.16	31336935.06
(C) INTEREST AND FINANCE CHARGES	XVII	22681148.56	13939718.86
(D) DEPRECIATION		3492359.29	2827943.91
		1172708519.51	782037100.59
PROFIT AFTER DEPRECIATION		83389463.97	8826897.10
PROVISION FOR TAXATION		8300000.00	3000000.00
PROFIT AFTER TAX		75089463.97	5826897.10
PROPOSED DIVIDEND		8470150.69	Nil
TRANSFERRED TO GENERAL RESERVE		3754473.19	291344.85
BALANCE CARRIED FORWARD TO BALANCE SHEET		62864840.08	5535552.25
Significant accounting policies and notes forming part of accounts	XVIII		

As per our attached report of even date
for **B.P. Jain & Co.**
Chartered Accountants

sd/-
Devendra Kumar Bhandari
Partner

CHENNAI
25.10.2005

for and on behalf of board
for **Arihant Foundations & Housing Limited**
sd/-

Navratan Lunawath
Chairman & Managing Director

sd/-
Priti Venkatesan
Company Secretary

sd/-
Jagdish Bhatt
Wholetime Director

ARIHANT FOUNDATIONS & HOUSING LIMITED
SCHEDULES TO THE BALANCE SHEET
AMOUNT AS ON
30.09.2005 (12 MONTHS)
AMOUNT AS ON
30.09.2004 (12 MONTHS)
SCHEDULE - I
SHARE CAPITAL AUTHORISED

70,00,000 EQUITY SHARES OF RS.10/- EACH

ISSUED, SUBSCRIBED & PAID UP

50,00,000 EQUITY SHARES

OF RS.10/- EACH FULLY PAID UP

10,00,000 EQUITY SHARES

OF RS.10/- EACH FULLY PAID UP

ISSUED AT A PREMIUM

OF RS. 191/- PER SHARES

	70000000.00	60000000.00
	50000000.00	50000000.00
	10000000.00	
	60000000.00	

SCHEDULE - II
RESERVES & SURPLUS

BALANCE AS PER LAST BALANCE SHEET

GENERAL RESERVE

ADD : ADDITIONS DURING THE YEAR

9150022.76	8858677.91
3754473.19	291344.85
12904495.95	9150022.76

PROFIT & LOSS ACCOUNT BALANCE

ADD : ADDITIONS DURING THE YEAR

102502533.43	96966981.18
62864840.08	5535552.25
165367373.51	102502533.43

SECURITY PREMIUM

10,00,000 EQUITY SHARES

OF RS. 191/- PER SHARE

10,00,000 CONVERTIBLE WARRANTS

PAID RS. 20.10/- PER WARRANT

(SEE NOTE - 1 AT PAGE NO. 28)

191000000.00	0.00
20100000.00	0.00

389371869.46	111652556.19
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SCHEDULE - III
SECURED LOAN

FINANCIAL INSTITUTIONS

BANKS

INTEREST ACCRUED & DUE

(Secured against Mortgage of Property

in relevant projects and directors personal guarantee)

99199507.00	99199507.00
426653012.12	314963753.78
31614066.00	31477761.00
557466585.12	445641021.78

SCHEDULE - IV
UNSECURED LOANS

(A) FIXED DEPOSITS

(B) DIRECTORS

(C) INTERCORPORATE DEPOSITS

(D) UNSECURED LOANS - OTHERS

27129339.00	32046835.00
12918382.18	28742512.00
112529650.00	92331227.00
59735285.30	31507267.00
212312656.48	184627841.00

SCHEDULE - V
FIXED ASSETS

PARTICULARS	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	BALANCE AS ON 01-10-2004	ADDITIONS DURING 01-10-04 TO 30-09-2005	DELETIONS DURING THE YEAR	BALANCE AS AT 30-09-2005	AS ON 01.10.2004	FOR THE PERIOD 01-10-04 TO 30-09-2005	DELETIONS DURING 01-10-04 TO 30-09-05	TOTAL AS ON 30-09-2005	AS ON 30-09-2004	AS ON 30-09-2005
Land	17931721.00	Nil	Nil	17931721.00	Nil	Nil	Nil	0.00	17931721.00	17931721.00
Buildings	81956685.00	Nil	Nil	81956685.00	1850277.48	1335893.97	Nil	3186171.45	80106407.52	78770513.55
Vehicles	4304290.00	3984052.00	24035.00	8264307.00	231147.26	568151.37	14563.43	784735.20	4073142.74	7479571.80
Plant & Machinery	12714181.97	315218.00	Nil	13029399.97	1434092.92	776541.92	Nil	2210634.84	11280089.05	10818765.13
Furniture & Fixtures	12454048.00	Nil	Nil	12454048.00	1565853.65	787894.03	Nil	2353747.68	10888194.35	10100300.32
Books	0.00	23878.00	Nil	23878.00	0.00	23878.00	Nil	23878.00	0.00	0.00
TOTAL	129360925.97	4323148.00	24035.00	133660038.97	5081371.31	3492359.29	14563.43	8559167.17	124279554.66	125100871.80

ARIHANT FOUNDATIONS & HOUSING LIMITED
SCHEDULES TO THE BALANCE SHEET

	AMOUNT AS ON 30.09.2005 (12 MONTHS)	AMOUNT AS ON 30.09.2004 (12 MONTHS)
SCHEDULE - VI		
INVESTMENTS		
LONG TERM INVESTMENTS		
NON-QUOTED (FULLY PAID AT COST)		
NATIONAL SAVINGS CERTIFICATE	3000.00	3000.00
QUOTED (FULLY PAID AT COST)		
44800 EQUITY SHARES OF RS.10/- EACH		
FULLY PAID OF HAPPY HOMES PROFIN LTD	1.00	224000.00
FULLY PAID SHARES OF		
TATA CONSULTANCY SERVICES LTD.	902352.00	902352.00
900 SHARES OF RS.1/- EACH		
(Market Value Rs.1472/-)	<u>905353.00</u>	<u>1129352.00</u>
AGGREGATE AMOUNT OF		
QUOTED INVESTMENT	1324800.00	928800.00
UN-QUOTED INVESTMENT	3000.00	3000.00
SCHEDULE VII		
INVENTORIES & WORK IN PROGRESS		
(At cost taken, valued and certified by the management)		
STOCK OF CONSTRUCTION RAW MATERIAL	695436.50	723377.05
FINISHED STOCK	187825190.84	194765763.27
WORK IN PROGRESS	<u>444351608.64</u>	<u>289728402.04</u>
	632872235.98	485217542.36
SCHEDULE VIII		
SUNDRY DEBTORS		
(UNSECURED & CONSIDERED GOOD)		
DEBTS OUTSTANDING FOR A PERIOD		
MORE THAN SIX MONTHS	135023659.52	182991938.02
LESS THAN SIX MONTHS	<u>231816977.29</u>	<u>135571522.69</u>
	366840636.81	318563460.71

ARIHANT FOUNDATIONS & HOUSING LIMITED
SCHEDULES TO THE BALANCE SHEET

	AMOUNT AS ON 30.09.2005 (12 MONTHS)	AMOUNT AS ON 30.09.2004 (12 MONTHS)
SCHEDULE IX		
CASH & BANK BALANCE		
(A) CASH BALANCE ON HAND	5444535.26	1995458.36
(B) BALANCE WITH SCHEDULED BANKS		
IN CURRENT ACCOUNT	192316944.08	6137672.70
(C) FIXED DEPOSITS WITH SCHEDULED BANK	31001052.00	4252975.00
	<u>228762531.34</u>	<u>12386106.06</u>

SCHEDULE X
LOANS & ADVANCES

 UNSECURED CONSIDERED GOOD TO
 BE RECEIVED IN CASH OR KIND

(A) SECURITY DEPOSITS	31266380.00	19120988.00
(B) ADVANCE FOR EXP./CONTRACTORS	87474669.03	78429617.55
(C) OTHER DEPOSITS	76029077.87	63600339.92
(D) PREPAID EXPENSES	759217.00	634475.00
(E) INCOME TAX DISPUTE	9350000.00	0.00
(F) ADVANCE FOR PURCHASE OF LAND	2401412.00	0.00
	<u>207280755.90</u>	<u>161785420.47</u>

SCHEDULE XI
CURRENT LIABILITIES

(A) ADVANCE FROM CUSTOMERS & PROJECTS	117392961.43	121458770.67
(B) BANK OVERDRAFT C.C. A/C	14691643.35	16536640.50
(C) OUTSTANDING LIABILITIES	132314709.69	122278298.01
(D) RENTAL DEPOSITS	24624474.00	31144290.00
(E) SUNDRY CREDITORS FOR SUPPLIERS	27855747.94	13932682.38
(F) INVESTOR EDUCATION AND PROTECTION	3426.00	3426.00
(G) SHARE WARRANT APPLICATION MONEY		
EXCESS RECEIVED	10000.00	0.00
(H) OTHER LIABILITIES	15924368.00	0.00
	<u>332817330.41</u>	<u>305354107.56</u>

Note 1: As approved at the Extra Ordinary General Meeting held on 16.09.2005, 10,00,000 convertible warrants have been issued on preferential basis at a price of Rs. 201/- (including premium of Rs. 191/-), being the price determined in accordance with the SEBI Guidelines. The Convertible warrants were allotted on 28.09.2005 and Rs. 20.10/- per warrant (being 10% of the total exercise price) has been received on the date of allotment of warrants. The convertible warrants will be converted into equity shares on exercise of the option by the warrant holders at a price of Rs. 201/- per share prior to the expiry of 18 months from the date of allotment.

ARIHANT FOUNDATIONS & HOUSING LIMITED
SCHEDULES TO THE BALANCE SHEET

	AMOUNT AS ON 30.09.2005 (12 MONTHS)	AMOUNT AS ON 30.09.2004 (12 MONTHS)
SCHEDULE - XII		
PROVISIONS		
(A) PROVISION FOR TAXATION	2053843.73	6033187.73
(B) PROVISION FOR DIVIDEND	7910099.69	76349.00
	9963943.42	6109536.73
SCHEDULE - XIII		
MISCELLANEOUS EXPENDITURE		
(A) PRELIMINARY EXPENSES	72325.21	44650.40
(B) ADMINISTRATIVE EXPENSES	57613.34	115226.71
(C) DEFERRED REVENUE EXP	330273.58	627165.14
	460212.13	787042.25
LESS: WRITTEN OFF	290212.07	376830.11
	170000.06	410212.14
SCHEDULE - XIV		
INCOME FROM OPERATION		
(A) SALES	595097933.50	286007639.00
(B) RENTAL RECEIPTS	19850930.00	13271933.00
(C) CLOSING STOCK	695436.50	723377.05
(D) FINISHED GOODS	187825190.84	194765763.27
(E) WORK IN PROGRESS	444351608.64	289728402.04
	1247821099.48	784497114.36
SCHEDULE - XV		
(A) CONSTRUCTION EXPENSES		
(a) MATERIAL	267291499.64	154542880.84
(b) LABOUR & SUB CONTRACT EXP.	302801735.20	266340116.58
(c) OTHER EXPENSES	316785719.66	283110939.78
	886878954.50	703993937.20
(B) LAND	233877690.00	29938565.56
	1120756644.50	733932502.76

ARIHANT FOUNDATIONS & HOUSING LIMITED
SCHEDULES TO THE BALANCE SHEET

	AMOUNT AS ON 30.09.2005 (12 MONTHS)	AMOUNT AS ON 30.09.2004 (12 MONTHS)
SCHEDULE - XVI		
ADMINISTRATIVE AND ESTABLISHMENT EXPENSES		
A. ADMINISTRATIVE EXPENSES		
AUDIT FEES	330600.00	316320.00
ADVANCES UNRECOVERABLE WRITTEN OFF	300000.00	5332562.20
ACCOUNT WRITTEN OFF	1143650.07	0.00
BANK CHARGES	455085.99	141291.00
DIRECTORS REMUNERATION	2155522.00	1435000.00
DONATION	208596.00	223364.00
DEPLETION IN VALUE OF INVESTMENTS	223999.00	0.00
ELECTRICITY CHARGES	236909.00	165152.00
ESTABLISHMENT EXPENSES	0.00	228150.00
FILING, LEGAL & OTHER FEES	2021157.00	2401544.00
MISCELLANEOUS EXPENSES	1578939.00	156488.30
INSURANCE	263359.00	153631.00
LOSS ON SALE OF ASSETS	6471.57	228437.63
OFFICE MAINTENANCE	129190.25	125235.75
PRINTING & STATIONERY	396635.25	409074.75
PROVISION - PROJECTS EXCESS / SHORT	0.00	1187263.00
RENT	258000.00	258000.00
REGISTRATION CHARGES	0.00	1445825.00
REPAIRS & MAINTENANCE OF BUILDING	10440362.46	13139993.01
SHARE REGISTRAR EXPENSES	14816.00	11325.00
STAFF SALARY	2177600.00	1564225.00
STAFF WELFARE	213386.95	199945.11
SUBSCRIPTION & PERIODICALS	28110.00	21611.00
TELEPHONE & POSTAGE	491179.80	371807.00
TRAVELLING, CONVEYANCE & FUEL	1483007.75	839941.20
	24556577.09	30356185.95
B. SALES PROMOTION		
ADVERTISEMENT EXPENSES	391040.00	183326.00
BUSINESS PROMOTION	540538.00	298913.00
	931578.00	482239.00
C. DEFERED REVENUE EXPENDITURE	46676.40	133294.40
D. PRE-OPERATIVE EXPENSES	243535.67	243535.71
E. PRIOR PERIOD EXPENSES	0.00	121680.00
	25778367.16	31336935.06
SCHEDULE XVII		
INTEREST & FINANCIAL CHARGES		
INTEREST	22681148.56	13939718.86
	22681148.56	13939718.86

SCHEDULE XVIII**BASIS OF PREPARATION OF FINANCIAL STATEMENT****A. SIGNIFICANT ACCOUNTING POLICIES**

- a) The financial statements have been prepared under the historical cost convention in accordance with the generally accepted accounting principles and provisions except AS-15 and AS-22.
- b) Accounting policies not specifically referred to otherwise are consistently followed throughout the period under audit and in consonance with the generally accepted accounting principles followed by the Companies.
- c) The Fixed Assets are stated at cost of acquisition less Depreciation, cost includes all the related expenses incurred.
- d) Depreciation on Fixed Assets is provided on Straight Line Method as per rates and in the manner prescribed in Schedule XIV of the Companies Act, 1956. The depreciation has been provided @ 100% on the assets purchased during the year the cost of which is less than Rs. 5,000/-. The Company had reclassified certain Assets from furniture to Plant and Machinery during the year.
- e) Fixed Assets acquired under Hire Purchase agreement are recorded at their Cash Values and finance charges thereon related to period are charged to revenue account. The Vendors have lien over these Assets.

REVENUE

The revenue is recognised on percentage completion method of project and subject to percentage of confirmation of sales relating to each project.

INVESTMENTS

The long term investments are carried at cost. The decline other than temporary, will be reduced from carrying amount to recognise decline.

CURRENT ASSETS**SUNDRY DEBTORS**

Represents value of sales less amount received

WORK IN PROGRESS

Represents Direct Cost of project and valued at cost less cost of sales.

FINISHED STOCK

Represents unsold stock- in-trade at the end of the year.

B. NOTES ON ACCOUNTS

1. The provision is made for taxation on proportionate period basis for the year ended 31.3.2005
2. Previous years figures have been regrouped wherever necessary in Balance Sheet.
3. The fixed assets of the previous year have been reclassified and depreciation relating to the same has been provided accordingly for proper presentation of the Balance Sheet.
4. No provision has been made for gratuity liability for the year as per provision of Gratuity Act as it is not applicable for this year.
5. The provisions for Provident Fund are not applicable to the Company for this year.
6. Contingent Liabilities: Sales tax Liability, if any, on works contract carried out by the Company is considered by management as not material but if any liability arises it will be recovered from Customers.

7.	30.09.05	30.09.04
a.		
Number of employees of the company throughout the financial year who are in receipt of remuneration for the year, which in aggregate, was not less than		
Rs. 24,00,000/- per annum.	Nil	Nil
b.		
Number of employees of the Company for a part of financial year who were in receipt of remuneration which in aggregate was not less than		
Rs. 2,00,000/- per month.	Nil	Nil
8.		
Sundry Debtors, Sundry Creditors and Loans and Advances are subject to confirmation.		
9.		
As the Company has borrowed funds for the projects, interest has been accordingly charged to respective projects for which borrowing was made.		
10.		
Considering the nature of the business in respect of Property Development Activity carried on by the Company the furnishing of Quantitative details relating to consumption / Stock of Building Materials is not feasible.		
11.		
The investments are long term. The directors feel that fall in values is permanent therefore decline in value has been recognised in the Financial Accounts.		

12. REMUNERATION TO AUDITORS

Statutory Auditors	2004-2005 (Rs.)
i) As Auditors	1,10,200
ii) In other capacity	
a) For Tax Audit	66,120
b) Income-tax representation	1,54,280
	<u>3,30,600</u>

DIRECTORS' REMUNERATION

CALCULATION OF NET PROFIT FOR THE PURPOSE OF COMMISSION TO MANAGING DIRECTOR

	(12 months) (Rs.in lacs)		(12 months) (Rs.in lacs)
MANAGING DIRECTOR'S REMUNERATION (including Dearness and all other allowances)	4.80	GROSS INCOME	12560.98
COMMISSION TO MANAGING DIRECTOR (1% of the Net Profit)	8.47	Less: Direct Cost	11207.57
OTHER DIRECTOR'S REMUNERATION	8.28	ADMINISTRATIVE OVERHEADS (Excluding Director's Remuneration)	506.44
TOTAL	21.55	NET PROFIT FOR CALCULATION OF COMMISSION	846.97
		COMMISSION @ 1% ROUNDED TO	8.47

13. Disclosure as per clause 13.5A of chapter XIII of SEBI (Disclosure and Investor Protection) Guidelines :

Utilisation of funds received by the Company through preferential issue of equity shares and convertible warrants :

- (a) The Company has raised an amount of Rs. 22.11 crores by issue of 10,00,000 equity shares and 10,00,000 convertible warrants of Rs. 10 each at a premium of Rs. 191/- on preferential basis. Amount received in the aggregate as follows :

	Amount (Rs. Crores)
10,00,000 equity shares of Rs. 201/- each (including premium of Rs. 191/-)	Rs. 20.10
10,00,000 convertible warrants of Rs. 20.10/- each (being 10% of the exercise price)	Rs. 2.01
Total	Rs. 22.11

- (b) **Amount Utilised** : Rs. 20.50 Crores

Details of Amount utilised :

- (i) Advance Paid for purchase of Share from Joint Venture to an extent of Rs. 10.50 Crores on 10.10.2005.
(ii) Advance paid toward purchase of Land to an extent of Rs. 10.00 Crores on 21.10.2005.

- (c) **Purpose** : Acquisition of property for the company's future projects.

14. Joint venture projects :

	Ownership Proportion (%)
Arihant Foundations and Housing Limited	77.5
M/s. Pelican Estate Developers	22.5

The project has been taken over from M/s. Pelican Estate Developers and M/s. AGS Entertainment Pvt. Ltd. at total consideration of Rs. 10.50 Crores as on 10.10.2005. Hence joint venture doesn't exist as on 10.10.2005.

CASH FLOW STATEMENT FOR THE YEAR ENDED 30.09.2005**A. CASHFLOW FROM OPERATING ACTIVITIES**

Net Profit Before Tax and Extraordinary Items		83389463.97
Add: Adjustments for :		
Depreciation		3477795.86
Depreciation reclassified		(386587.39)
Miscellaneous Expenditure Writtenoff		290212.07
Loss on Sale of Investments		223999.00
Loss on Sale of Assets		21037.25
Interest and Finance Charges		22681148.56
Operating Profit Before Working Capital Changes		109697069.32
Add: Adjustments for:		
Decrease In Trade and Other Receivables	(93772511.53)	
Increase in Inventories	(147654693.62)	
Preliminary Expenditure	(50000.00)	
Increase in Trade Payables	31317629.54	
Provision for Tax	(8300000.00)	(218459575.61)
Net Cash From Operations		(108762506.29)

B. CASHFLOW FROM INVESTMENT ACTIVITIES

Purchase of Fixed Assets	(4323148.00)	
Sale of Assets	3000.00	
Net Cash used in Investing Activities		(4320148.00)

C. CASHFLOW FROM FINANCING ACTIVITIES

Proceeds from Private Placement	221100000.00	
Proceeds from Borrowings	139510378.82	
Payable Proposed Dividend	(8470150.69)	
Interest Paid	(22681148.56)	
Net Cash From Financing Activities		329459079.57
NET INCREASE IN CASH AND CASH EQUIVALENTS (A+B+C)		216376425.28
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		12386106.06
CASH AND CASH EQUIVALENTS AT THE CLOSE OF THE YEAR		228762531.34

for and on behalf of board
for **Arihant Foundations & Housing Limited**

sd/-
Navratan Lunawath
Chairman & Managing Director

sd/-
Jagdish Bhatt
Wholetime Director

sd/-
Priti Venkatesan
Company Secretary

CHENNAI
25.10.2005

AUDITORS' CERTIFICATE

We have examined the above cash flow statement of Arihant Foundations & Housing Limited for the year ended 30th September, 2005. The Statement has been prepared by the Company in accordance with the requirement of Clause 32 of the Listing agreement with Chennai and Bombay stock exchanges and is based on and in agreement with corresponding profit & Loss Account and Balance Sheet of the Company covered by our report of October 25, 2005 to the members of the Company.

Place : Chennai
Date : 25.10.2005

for **B.P. Jain & Co.**
Chartered Accountants
sd/-
Devendra Kumar Bhandari
Partner

ADDITIONAL INFORMATION AS REQUIRED UNDER PART IV SCHEDULE VI TO THE COMPANIES ACT, 1956

Balance Sheet Abstract and company's General Business Profile

I. Registration Details

Registration No. 2 2 2 9 9

State Code 1 8

Balance Sheet Date 3 0 . 0 9 . 2 0 0 5

II. Capital raised during this year (Rupees in thousands)

Public Issue

 N I L

Rights Issue

 N I L

Bonus Issue

 N I L

Private Placement

 2 2 1 1 0 0

III. Position of Mobilisation and Deployment of funds (Rupees in thousands)

Total Liabilities

 1 2 1 9 1 5 1

Total Assets

 1 2 1 9 1 5 1

Source of Funds

Paid up Capital

 6 0 0 0 0

Reserves & Surplus

 3 8 9 3 7 2

Secured Loan

 5 5 7 4 6 7

Unsecured Loan

 2 1 2 3 1 3

Application of Funds

Net Fixed Assets

 1 2 5 1 0 1

Investments

 9 0 5

Net Current Assets

 1 0 9 2 9 7 5

Miscellaneous Exp.

 1 7 0

Accumulated Losses

 N I L

IV. Performance of the Company (Rupees in thousands)

Turnover

 1 2 5 6 0 9 8

Total Expenditure

 1 1 7 2 7 0 9

Profit Before Tax

 8 3 3 8 9

Profit After Tax

 7 5 0 8 9

Earnings Per Share (Rs.)

 1 2 . 5 1

Dividend Rates (%)

 1 5

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

Item Code No.

 N I L

Product Description

1. Development of Property and Construction of Commercial Complex and Residential Flats.

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

ARIHANT FOUNDATIONS & HOUSING LIMITED

Chennai

PROXY

I/We

c/o.....

Being a member (s) of ARIHANT FOUNDATION & 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 13th Annual General Meeting of the Company
to be held on Friday, 24th March 2006 and any adjournment thereof. As witness my/our hand (s) this 24th day of
March 2006.

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 : 10.25 a.m. Friday, 24th March 2006

Place : Days Inn, Deccan Plaza,
Door No. 36, Royapettah High Road,
Royapettah, Chennai - 600 014.

Full name of the shareholder.....

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

Folio No.....

Date.....

Signature