

Dear Shareholders,

Year 2006-07 has been a prosperous year for your Company. I am indeed enthused to inform you that this fiscal year, with the blessing of our founder Chairman, Late Sri. Navratan Lunawath, we have had a record turnover and profit. During this fiscal year, the Company's securities got listed on National Stock Exchange of India Limited, a nation wide trading terminal, where the securities of the Company actively traded. Various prospective investors viz. FIIs, NRI's, MF's have shown their interest in investing.

At Arihant we measure our achievements and value to our shareholders and Customers against our own performance with added emphasis on impartial and untainted introspection. Public recognition of our success has over the time served as a motivating factor, inspiring us to aim higher and adhere to the high standards of integrity we have set for ourselves.

As you all know that the Real Estate, Construction and Infrastructure have a strong relationship with overall economic growth. We at Arihant foresee a phenomenal growth in this sector. Your Company is well positioned to utilize this opportunity and to exploit the benefit from this growth.

Presently Your Company is focusing its attention on the following areas:

- To acquire large tracks of land to create land bank
- To spread its operation in other cities
- To cater to the needs of Customers according to their demand
- To create innovative and novel structures meeting international standards.

More over, the brand image your Company enjoys gives us a greater confidence in achieving excellent growth and also better profits in future.

COMPANY'S PERFORMANCE FOR THE YEAR

In this competitive environment, your Company's performance during the financial year has been substantial across all the facets of the Company thus contributing to the overall profitability. Total income from operations of the Company was Rs.236 crores. The Company has succeeded in posting a net profit of Rs.28 crores and earning per share of Rs.40. Your Directors have recommended a 40% final dividend for the financial year, 2006-07, if approved by the members. During this financial year your Company has completed several projects.

Another breakthrough during the year, has been key joint venture agreements signed with major Real Estate Developer, Unitech Limited, Foreign Investors, J.P Morgan India Property Fund Mauritius Company II and Samsara Capital for development of certain projects.

CONCLUSION

I take this opportunity to convey our sincere appreciation to Indian Overseas Bank, ICICI Bank Limited, IDBI Bank Limited, Corporation Bank and Bank of India for the trust they have reposed in us by sanctioning financial assistance. 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 endeavours.

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
Managing Director



NOTICE

Notice is hereby given that the 15th Annual General Meeting of the Shareholders of Arihant Foundations and Housing Limited will be held on Friday, the 28th day of March, 2008 at Days Inn, Deccan Plaza, No. 36, Royapettah High Road, Royapettah, Chennai - 600014 at 10.30A.M. to transact with or without modifications, as may be permissible the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited balance sheet as at 30th September 2007 and Audited profit and loss account for the period from 01.10.2006 to 30.09.2007, together with the Directors' Report and the Auditors' Report.
2. To declare a dividend on equity shares.
3. To appoint a Director in place of Mr. Harisharanlal Trivedi, who retires by rotation and being eligible, offer himself for re-appointment.
4. To appoint a Director in place of Mr. Dilip Surana, who retires by rotation and being eligible, offer himself for re-appointment.
5. To appoint a Director in place of Mr. Ravikant M Choudhary, who retires by rotation and being eligible, offer himself for re-appointment.
6. To appoint a Director in place of Mr. Bharat M Jain, who retires by rotation and being eligible, offer himself for re-appointment.
7. To Appoint Auditors and fix their remuneration to hold office from the conclusion of this meeting until the conclusion of next Annual General Meeting. The retiring Auditors M/s. B.P Jain & Co., being eligible, offer themselves for reappointment.

SPECIAL BUSINESS:

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

"RESOLVED THAT Subject to the provision of Securities and Exchange Board of India (Delisting of Securities) Guidelines, 2003, provisions of Madras Stock Exchange Limited (MSE) and other applicable provisions if any, Consent of the Shareholders be and is hereby accorded to the voluntary delisting of its securities (7000000 equity shares) from Madras Stock Exchange Limited."

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

RESOLVED THAT Pursuant to the provisions of Section 198, 269, 309 read with Schedule XIII to the Companies Act, 1956 and subject to other applicable provisions if any, approval of the Shareholders be and is hereby accorded to increase in the Commission of Managing Director, Mr. Kamal Lunawath from 1% of the net profit to 3% of the net profit. That the same will be paid for the financial year ended 30th September, 2008 and that the Board of Directors (herein after referred to as "the Board") authorised 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 reenactment thereof."

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

RESOLVED THAT Pursuant to the provisions of Section 198, 269, 309 read with Schedule XIII to the Companies Act, 1956 and subject to other applicable provisions if any, approval of the Shareholders be and is hereby accorded to award Commission to Whole time Director, Mr. Vimal Lunawath of 3% of the net profit. That the same will be paid for the financial year ended 30th September, 2008 and that the Board of Directors (herein after referred to as "the Board") authorised 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 reenactment thereof."

By Order of the Board
For Arihant Foundations & Housing Limited

Sd/-

Place: Chennai
Date: 26.02.2008

(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 21st March, 2008 to 28th March, 2008 (Both days inclusive).
4. The 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 20th March, 2008. 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 20th March, 2008

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 8

The Securities of the Company are listed on Bombay Stock Exchange Limited, National Stock Exchange of India Limited and Madras Stock Exchange Limited. The securities are actively traded in Bombay Stock Exchange Limited, National Stock Exchange of India Limited and there is no trading in Madras Stock Exchange Limited from the past six years. Since the securities of the Company are trading on the Nation wide trading terminal in BSE and NSE, The Board has decided to voluntarily delist its securities (7000000 equity shares) from Madras Stock Exchange Limited subject to the consent of the shareholders and in compliance of SEBI (Delisting of Securities) Guidelines, 2003.

Memorandum of Interest

The Directors of the Company are deemed to be concerned or interested in the resolution only to the extent of equity shares of the Company held by them.

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

Item 9

Mr. Kamal Lunawath, Managing Director of the Company discharge his responsibility towards Strategic Management of the Company, which involves Corporate Planning, fund management. He has immensely contributed to the growth of the Company and profitability. He has successfully achieved a major deal with Foreign Partner, J P Morgan India Property Fund to invest in its SPV Company. Keeping in view of this, the Board with an appreciation recommended to increase the commission being paid to the Managing Director of 1% of net profit to 3% of net profit subject to the approval of the shareholders of the Company.

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

Memorandum of Interest

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

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

Item 10

Mr. Vimal Lunawath, is a whole time director of the Company and is in charge of projects execution. He has ensured that projects are completed within time & cost, using only quality materials to deliver high class living experience to our end users. This has created a positive image for the company, bringing in referral business from our own customers and repeat business from our customer's family. This has also resulted in our company's higher profitability. Keeping in view of this, the Board with an appreciation recommended to award commission of 3% of net profit subject to the approval of the shareholders of the Company.

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

Memorandum of Interest

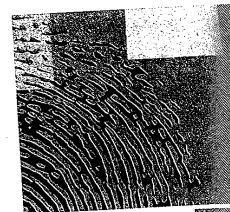
Save and except Mr. Vimal Lunawath and Mr. Kamal Lunawath, none of the other Directors is in anyway, concerned or interested in the resolution set out at item no. 10 of the notice.

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

By Order of the Board
For Arihant Foundations & Housing Limited

Sd/-
(Priti Venkatesan)
Company Secretary

Place: Chennai
Date: 26.02.2008





Your Directors take pleasure in presenting the 15th Annual Report to the Shareholders together with the Audited Accounts for the year ended 30th September 2007.

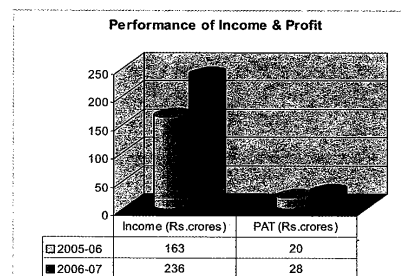
FINANCIALS

(Rs.in Lakhs)

| PARTICULARS | 2006-07 | 2005-06 |
|---|----------|----------|
| Total Income | 23585.44 | 16294.42 |
| Total Expenditure | 20103.49 | 13372.90 |
| Profit before Interest and Depreciation | 3481.95 | 2921.52 |
| Interest | 247.85 | 475.94 |
| Depreciation | 44.14 | 37.99 |
| Profit before Tax | 3189.96 | 2407.59 |
| Provision for Tax | 360.00 | 400.00 |
| Profit after Tax | 2829.96 | 2007.59 |
| APPROPRIATIONS | | |
| Transfer to General reserve | 283.00 | 150.57 |
| Proposed Dividend (inclusive of dividend tax) | 327.60 | 136.83 |
| Balance profit carried forward | 2219.36 | 1720.19 |

PERFORMANCE

During this year, your company has achieved an excellent financial results in terms of income and profit.



The Company has achieved income from operations of Rs.236 crores during the financial year 2006-07 as against Rs.163 crores in the previous year 2005-06 recording an increase of 45%.The profit for the financial year was Rs.28 crores compared to previous year profit of Rs. 20 crores with an increase of 40%. Your directors are confident of making better profits for the financial year 2007-08.

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 @ 40% i.e. Rs.4.00 per equity share on 7000000 equity shares of Rs.10 each for the financial year ended 30th September 2007, which if approved at the ensuing Annual General Meeting, will be paid to:

- all those shareholders whose name appears in the Register of Members as on 20th March 2008 and;
- 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 outstanding fixed deposits of Rs.15467383.91 As on 30.09.2007, which is 1.45% of aggregate of paid up capital and free reserves of the Company.

PROJECTS

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

ONGOING PROJECTS

| Project name | Location | Area (Sqft) |
|--------------------------------------|---|-------------|
| ARIHANT ESCAPEDE Residential Complex | Thoraipakkam, Chennai | 4,00,000 |
| ARIHANT HEIRLOOM Residential Complex | Thazambur, Chennai | 3,58,000 |
| ARIHANT SHLOKA Residential Complex | Secretariat Colony, Kilpauk, Chennai-10 | 57,360 |

NEW PROJECT INITIATIVES

| Project name | Location | Area (Sqft) |
|---|----------------------------|-------------|
| ARIHANT STAR HILLS Township Project | Vijayawada, Andhra Pradesh | 48,00,000 |
| VILLA VIVIANA Township Project In association with J P Morgan India Property Fund | GST Road, Chennai | 13,00,000 |
| ARIHANT OASIS PARK Residential Complex | Navalur, OMR, Chennai | 27,00,000 |
| ARIHANT FRANGIPANI Residential Complex | Siruseri, TamilNadu | 3,40,000 |
| ARIHANT AMARA Residential Complex | P.H. Road, Chennai | 2,35,000 |
| ARIHANT ANCHORAGE IT Park | Thiruvanniyur, Chennai | 1,10,000 |

COMPLETED PROJECTS

| Project name | Location | Area (Sqft) |
|---|-----------------------------------|-------------|
| ARIHANT INSIGHT IT Park | Ambattur, Chennai-58. | 3,30,000 |
| ARIHANT VAIKUNT Residential Complex | Purasawalkam, Chennai | 3,24,390 |
| ARIHANT GALAXY-phase II Residential Complex | T.H Road, Tondiarpet, Chennai-81. | 26,221 |

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.

Outgo: Rs.11,86,200/-

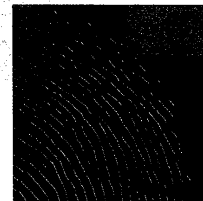
PARTICULARS OF EMPLOYEES UNDER SECTION 217(2A)

During the period under review, one 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.

Mr. Kamal Lunawath, Managing Director Rs. 39,76,679

DIRECTORS RESPONSIBILITY STATEMENT

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





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

DIRECTORS

In accordance with the relevant provisions of the Companies Act, 1956 and Article 101 of the Articles of Association of the Company, Mr. Harisharanlal Trivedi, Mr. Dilip Surana, Mr. Ravikant M Choudhary, Mr. Bharat M Jain Directors are liable to retire by rotation at the ensuing Annual General Meeting and, being eligible, offer themselves for reappointment. The brief resume of directors, who are to be re-appointed as stipulated under clause 49(IV) of the Listing Agreement, are furnished in the Corporate Governance Report forming part of the Annual Report.

AUDITORS

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

INVESTOR RELATIONS

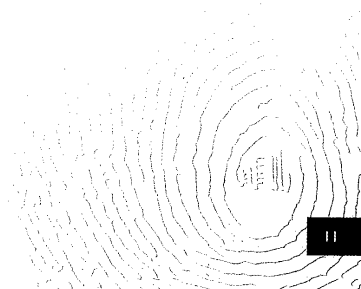
Your Company always endeavors to keep the time of response to shareholders' requests / grievances at the minimum. Priority is accorded to address all the issues raised by the shareholders and provide them a suitable reply at the earliest possible time. The Shareholders' and Investors' Grievance Committee of the Board met 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 dematerialisation arrangement exists with both the depositories, viz., National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). As on 30th September, 2007, 5059298 (Fifty lakhs fifty nine thousand two hundred and ninety eight) shares have been dematerialised, representing 72% of the subscribed capital.

LISTING

The shares of your Company are listed at Madras Stock Exchange Limited, Bombay Stock Exchange Limited and National Stock Exchange of India Limited. The Company has paid the listing fees for the Financial Year 2006-2007 to all the Stock Exchanges, where its securities are listed. The Company has also complied with the amendments in listing agreement from time to time.

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, the same shall be transferred to the Investor Education Protection Fund, which is constituted under Section 205C of the Companies Act 1956. Since the period of seven years expired, the Company in conformity with the aforesaid provision has transferred an unclaimed amount of Rs.46611/- related to Dividend for the year 1998-99 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.

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.

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 Indian Overseas Bank, , ICICI Bank Limited, IDBI Limited and Corporation Bank for their support and co operation.

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

Sd/-
(kamal Lunawath)
Managing Director

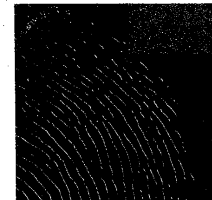
Sd/-
(Vimal Lunawath)
Director

Place: Chennai
Date: 26.02.2008

ANNEXURE TO DIRECTORS REPORT

Explanation for the observation 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 man power.
2. To point No.(5) the transaction of purchase of goods, materials and sale of goods, materials and services, made in pursuance of contracts, and/or arrangements 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 filed the return of deposit for the year 2006. Return of deposit for the year 2007, i.e. as on 31.03.2007 is yet to be filed.





The break up of the total composition of the Board as on 30.09.2007 is as follows:

| Sl. No. | Name of the Directors | Designation | Executive/Non-executive/Independent |
|---------|----------------------------|---------------------|-------------------------------------|
| 1. | Mr. Kamal Lunawath | Managing Director | Executive |
| 2. | Mr. Vimal Lunawath | Whole time Director | Executive |
| 3. | Sri. Col. A.L. Jayabhanu | Whole time Director | Executive |
| 4. | Sri. Jagdish R Bhatt | Whole time Director | Executive |
| 5. | Sri. Alex Jacob | Director | Non-Executive |
| 6. | Sri. A. Damodaran | Director | Non-Executive & Independent |
| 7. | Sri. Harisharanlal Trivedi | Director | Non-Executive & Independent |
| 8. | Mr. Ravikant M Choudhary | Director | Non-Executive & Independent |
| 9. | Mr. Dilip G Surana | Director | Non-Executive & Independent |
| 10. | Mr. Bharat M Jain | Director | Non-Executive |

I. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

The company aspires to achieve highest level of transparency, accountability towards its shareholders. The objective of the company is to enhance the wealth of the shareholders by enhanced and sustained growth which are in the best interest of the Company and the shareholders, who are the real owners of the Company.

2. BOARD OF DIRECTORS

(I) COMPOSITION OF BOARD

The Board of Directors of Arihant Foundations & Housing Limited consists of Ten Directors as on 30.09.2007.

(II) ATTENDANCE OF EACH DIRECTOR AT THE BOARD MEETINGS AND THE LAST AGM AND DETAILS OF OTHER DIRECTORSHIPS AS ON 30.09.2007

| Sl No. | Name of the Directors | No. of Board Meetings Attended | Whether Attended last A.G.M | Whether Attended last A.G.M | Other Directorships | Committee Memberships | Committee Chairmanships |
|--------|-----------------------|--------------------------------|-----------------------------|-----------------------------|---------------------|-----------------------|-------------------------|
| 1. | Kamal Lunawath | 16 | Yes | Yes | 7 | 1 | -- |
| 2. | Vimal Lunawath | 16 | Yes | Yes | 5 | -- | -- |
| 3. | Jagdish R Bhatt | 16 | Yes | Yes | -- | -- | -- |
| 4. | Col. A.L. Jayabhanu | 16 | Yes | Yes | -- | -- | -- |
| 5. | Alex Jacob | 02 | Yes | Yes | -- | -- | -- |
| 6. | A. Damodaran | 10 | Yes | Yes | 1 | 1 | -- |
| 7. | Harisharanlal Trivedi | 02 | No | No | -- | 1 | -- |
| 8. | Dilip Surana | 07 | No | No | 1 | 1 | 1 |
| 9. | Ravikant M Choudhary | 06 | Yes | Yes | 5 | 1 | 1 |
| 10. | Bharat M Jain | 09 | Yes | Yes | 1 | -- | -- |

Note: The position of membership and chairmanship held in the Committees by the Directors of the Company as mentioned above is only in "Arihant Foundations & Housing Limited" and the other directorship of the Directors as mentioned above do not include Alternate Directorships and Directorships of Foreign Companies and Section 25 Companies.

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.

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

Sixteen (16) Board meetings were held during the financial year 01.10.2006 to 30.09.2007 and the dates on which the Board meetings were held are given below:

| No. of Board Meetings. | Date of Board Meetings. | No. of Board Meetings. | Date of Board Meetings. |
|------------------------|-------------------------|------------------------|-------------------------|
| 01 | 10.11.2006 | 09 | 27.04.2007 |
| 02 | 11.11.2006 | 10 | 09.05.2007 |
| 03 | 01.12.2006 | 11 | 23.05.2007 |
| 04 | 27.12.2006 | 12 | 30.06.2007 |
| 05 | 24.01.2007 | 13 | 05.07.2007 |
| 06 | 29.01.2007 | 14 | 26.07.2007 |
| 07 | 21.02.2007 | 15 | 01.08.2007 |
| 08 | 27.03.2007 | 16 | 13.08.2007 |

Details of Directors seeking reappointment at the ensuing Annual General Meeting.

Mr. Harisharanlal Trivedi, 58, is an Independent Director of the Company and also a member of the Shareholder/ Investor Grievance Committee. He is a Law Graduate. He is involved in financing activities and not in the practice. He has 25 years of rich experience in liaison work.

Mr. Dilip Surana, 43 is an Independent Director of the Company and also Chairman of the Audit Committee. He is a Graduate and has 20 years of rich experience in Pharmaceuticals. His other directorship:

Micro Labs Limited, Bangalore. Managing Director

Mr. Ravikant M Choudhary, 46 is an Independent Director of the Company and also a member of the Shareholder/ Investor Grievance Committee. He is a Graduate and involved in Stock broking business for past 15 years. He is one of the leading Stock Broker of Chennai. His other directorship:

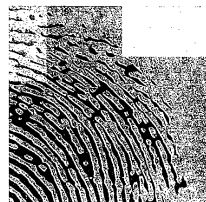
| | |
|--------------------------------------|----------|
| ASL Capital holdings Private Limited | Director |
| DMRR.COMDEX Private Limited | Director |
| Arihant Insur Brokk Private Limited | Director |
| Sambhav Energy Limited | Director |
| Arihants Stock Brokers Limited | Director |

Mr. Bharat M Jain, 33 is a Non-executive Director of the Company. He is a Graduate and has 10 years of experience in real estate and construction and expertise in execution of various small and large projects viz, Residential apartments, IT Parks and Township. He is also expert in fund arranging. His other directorship:

Escapade Real Estate Private Limited, Chennai Director

CODE OF CONDUCT

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





3. AUDIT COMMITTEE

(I) BRIEF DESCRIPTION OF TERMS OF REFERENCE

The terms of reference of the Audit Committee of the Company are as detailed below:

TERMS OF REFERENCE OF THE AUDIT COMMITTEE OF ARIHANT FOUNDATIONS & HOUSING LIMITED

As per Section 292A of the Companies Act, 1956 read with Clause 41 and Clause 49 of the Listing Agreement with Stock Exchange, the Company has an Audit Committee. The scope of Audit Committee is as follows:

1. To oversee 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. To recommend to the Board, the appointment, reappointment and, if required, the replacement or removal of the statutory auditor and the fixation of audit fees.
3. To approve the payment to statutory auditors for any other services rendered by the statutory auditors.
4. To review with the management the annual financial statements before submission to the Board for approval, with particular reference to:
 - Matters required to be included in the Directors Responsibility Statement to be included in the Boards Report in terms of clause (2AA) of Section 217 of the Companies Act, 1956.
 - Changes, if any, in accounting policies and practices and reasons for the same.
 - Major accounting entries involving estimates based on exercise of judgment by management.
 - Significant adjustments made in the financial statements arising out of audit findings.
 - Compliance with listing and other legal requirements relating to financial statements.

- Disclosure of any related party transactions
 - Qualifications in draft audit report.
5. To review, with the management, the quarterly financial statements before submission to the Board for approval.
 6. To review, with the management, performance of statutory and internal auditors, adequacy of the internal control systems.
 7. To review the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
 8. To discuss with internal auditors any significant findings and follow up there on.
 9. To review the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
 10. To discuss with the statutory auditors before the audit commences, about nature and scope of audit as well as post audit discussion to ascertain any area of concern.
 11. 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.
 12. To carry out any other function as is mentioned in the terms of reference of the Audit Committee.

POWERS OF AUDIT COMMITTEE

The Audit Committee is vested with certain powers to discharge its duties. They are:

1. To have access to the records of the Company;
2. To investigate any activity within its terms of reference;
3. To seek information from any employee;

4. To obtain outside legal or other professional advice;
5. To secure attendance of outsiders with relevant expertise, if it considers necessary.

(II) COMPOSITION OF THE AUDIT COMMITTEE AS ON 30.09.2007, MEETINGS HELD AND ATTENDANCE DURING THE YEAR

| Particulars | Name of the Member/ Chairman | No. of Meetings Held | No. of Meetings Attended |
|-------------|------------------------------|----------------------|--------------------------|
| Chairman | Mr. Dilip Surana | 8 | 5 |
| Members | Mr. A Damodaran | 8 | 8 |
| | Mr. Ravikant M Choudhary | 8 | 8 |
| | Mr. Harisharanlal Trivedi | 8 | 1 |

4. REMUNERATION COMMITTEE

The Company has not constituted Remuneration Committee as it is a non mandatory requirement.

The Remuneration Policy has been followed by the Company pursuant to Section 198, 269 & 309 of the Companies Act, 1956 and in compliance of limits laid down under Section I, Part II of Schedule XIII to the Companies Act, 1956.

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

• Executive Directors (Managing/ Whole-time Directors)

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

The gross value of the fixed components of the remuneration, as explained above, paid to the whole time functional Directors, during the financial year 2006-2007 is given below :

| Name of the Directors | Salaries and Allowances | Other Benefits. |
|---|--|---|
| Mr. Kamal Lunawath Managing Director | Rs.40,000/- per month. Up to 01.03.2007 Revised Salary of Rs.75,000/- per month from 01.03.2007 | Company Car & Commission (1% of net profit) |
| Mr. Vimal Lunawath Whole time Director | Rs.25000/- per month. Up to 01.03.2007. Revised Salary of Rs.75,000/- per month from 01.03.2007 | Company Car |
| Col. A.L Jayabhanu Whole time Director | Rs.25,000/- per month. Up to 01.03.2007 Revised salary of Rs.75,000/- per month from 01.03.2007 | Car Allowance |
| Mr. Jagdish R. Bhatt Whole time Director | Rs.25,000/- per month. Up to 01.03.2007 Revised Salary of Rs.75,000/- per month from 01.03.2007 | |

• 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 2006-07 are as under:

| Name of the Directors | Designation | Total sitting fees paid (Rs.) |
|---------------------------|-------------|-------------------------------|
| Mr. Ravikant M Choudhary | Director | 41000 |
| Mr. Harisharanlal Trivedi | Director | 6000 |
| Mr. Damodaran A | Director | 22000 |
| Mr. Bharat M Jain. | Director | 17000 |
| Mr. Dilip Surana | Director | 20500 |

• Details of shares held by the Non executive Directors

Mr. Bharat M Jain: 9650 shares representing 0.14% of paid up Capital of the Company.

Mr. Alex Jacob: 5000 shares representing 0.07% of paid up capital of the Company.





5. SHAREHOLDER'S / INVESTOR'S GRIEVANCE COMMITTEE

COMPOSITION

| Particulars | Name of the Member/ Chairman | No. of Meetings Held | No. of Meetings Attended |
|-------------|---------------------------------|----------------------------|--------------------------------|
| Chairman | Mr. Ravikant M Choudhary | 15 | 15 |
| Members | Mr. Kamal Lunawath | 15 | 15 |
| | Mr. Harisharanlal Trivedi | 15 | 01 |

No. of shareholder/ Investor Grievance Committee Meeting held and the dates of Meetings

| No | Date of Meetings | No. | Date of Meetings |
|----|------------------|-----|------------------|
| 01 | 16.10.2006 | 09 | 31.03.2007 |
| 02 | 31.10.2006 | 10 | 16.04.2007 |
| 03 | 23.11.2006 | 11 | 30.04.2007 |
| 04 | 12.12.2006 | 12 | 15.05.2007 |
| 05 | 16.01.2007 | 13 | 30.06.2007 |
| 06 | 31.01.2007 | 14 | 30.07.2007 |
| 07 | 15.02.2007 | 15 | 25.09.2007 |
| 08 | 15.03.2007 | | |

- Name and designation of Compliance officer.
- Mrs. Priti Venkatesan, Company Secretary.
- 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 01.10.2006 to 30.9.2007:

During the financial year no shareholders complaints were received by the Company and there were no pending complaints at the beginning of the Financial Year.

SUBSIDIARY COMPANIES

The Company does not have any material non-listed Indian Subsidiary Company and hence it is not required to have an Independent Director of the Company on the

Board of such Subsidiary Company. However the Company has four non listed Indian Subsidiary Company and compliance required under clause 49 (III) of the Listing Agreement has been duly complied with.

6. GENERAL BODY MEETINGS

The particulars of last three Annual General Meetings are as under:

| A.G.M | Date | Time | Venue | No. of Special Resolutions Passed |
|-------|------------|----------|--|--|
| 12th | 31.03.2005 | 10.30a.m | Days Inn, Deccan Plaza, No.36, Royapettah High Road, Royapettah, Chennai-14. | Nil |
| 13th | 24.03.2006 | 10.25a.m | Days Inn, Deccan Plaza No.36, Royapettah High Road, Royapettah, Chennai-14. | Nil |
| 14th | 23.03.2007 | 10.00a.m | 'The Residency Towers' Sir Thyagaraya Road, T.Nagar, Chennai-17 | 2(Two) |

- Special resolution passed for alteration of capital clause of Articles of Association with respect to increase in the authorised capital from Rs.7 crores to Rs.10 crores.
- Special resolution passed to amend the Articles of Association with respect to insertion of Article 34A after Article 34 of the Articles of Association

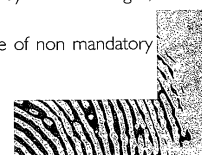
No resolution was passed by postal ballot during last three financial year and nor any resolution is proposed to be conducted through postal ballot.

7. DISCLOSURES

- There are related party transactions i.e. transactions of the Company with its Directors and Directors relatives, Subsidiary Companies, Partnership Firms, Joint Venture and Associates. The details of which are given as under:

| Sl No. | Name of Related Party | Category | Nature of Transactions | Amount(Rs.) |
|--------|--|--------------------------|--|--|
| 1. | Kamal Lunawath | Key Management Personnel | Remuneration Commission Loan received from Kamal Lunawath Loan Repaid | 7,25,000.00 32,51,678.00 1,13,71,825.00 1,29,49,202 |
| 2. | Vimal Lunawath | Key Management Personnel | Remuneration Loan received from Vimal Lunawath Loan Repaid | 6,50,000.00 1,19,87,870.00 1,71,67,267.00 |
| 3. | Jagdish R Bhatt | Key Management Personnel | Remuneration | 6,50,000.00 |
| 4. | A.L Jayabhanu | Key Management Personnel | Remuneration Loan Repaid | 6,50,000.00 18,62,401.00 |
| 5. | Alex Jacob | Director | Fees for Structural Engineering | 16,00,000.00 |
| 6. | Vaikunt Housing Limited | Wholly owned Subsidiary | Receipt Payment | 676,77,716.00 732,97,089.00 |
| 7. | Transperent Heights Real Estate Limited | Wholly owned subsidiary | Receipt Payment | 117,500,000.00 128,978,569.00 |
| 8. | Arihant Griha Limited | Wholly owned subsidiary | Receipt Payment | 453,40,000.00 469,02,399.00 |
| 9. | Arihant Unitech Realty Projects Limited | Joint Venture | Receipt Payment | 219,659,763.00 398,89,873.00 |
| 10. | Escapade Real Estate Private Limited | Joint Venture | Receipt Payment | 975,40,000.00 961,05,399.00 |
| 11. | Arihant Indo African Infra Developers & Builders Private Limited | Joint Venture | Payment | 503,16,122.00 |
| 12. | Arihant Foundations | Partnership | Receipt Payment | 514,65,000.00 101,980,000.00 |
| 13. | Arihant Foundations & Housing | Partnership | Receipt Payment | 145,50,000.00 108,63,126.00 |
| 14. | Arihant Heirloom | Partnership | Receipt Payment | 800,000.00 220,69,714.00 |

- There were no instances of material non compliance and no penalties or strictures on the Company imposed by Stock Exchanges, SEBI or statutory authorities on any matter related to Capital Market during last three years / period.
- The Company has complied with all the mandatory aspects of Corporate Governance and compliance of non mandatory requirements given as an annexure to this Report and Marked as Annexure-II.



8. MEANS OF COMMUNICATION

- 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 soon after their approval in conformity with the Clause 49 of the Listing Agreement.
- 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 |
|---------------|-----------------------|------------------------|---------------------|
| 31.12.2006 | News Today | Maalai Sudar (Tamil) | 30.01.2007 |
| 31.03.2007 | News Today | Maalai Sudar (Tamil) | 28.04.2007 |
| 30.06.2007 | News Today | Maalai Sudar (Tamil) | 27.07.2007 |

- Un-audited financial results for the quarter ended 31.12.2006, 31.03.2007 and 30.06.2007 are also published in The Economic times.
- The Quarterly un-audited financial results and audited Annual results are also hosted on the Company's web site at: www.arihantfoundations.com.
- Management Discussion and Analysis Report forms part of the Annual report for year 2006-07, given as an Annexure I to the Director's Report 2006-07.

9. GENERAL SHAREHOLDER INFORMATION

- Number of Annual General Meeting: 15th Annual General Meeting
Date & Time: 28.03.2008, 10.30A.M.
Venue: Days Inn, Deccan Plaza
Door No.36, Royapettah High Road
Royapettah, Chennai-14.
- Financial Calendar: October to September
- Book Closure date: 21.03.2008 to 28.03.2008 (both the days inclusive)
- Dividend dispatch date: Within a maximum of 30 days
- Listing on Stock Exchanges:
The 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

National Stock exchange of India Ltd.
Exchange Plaza,
Bandra Kurla Complex
Bandra (E), Mumbai- 400051
Website: www.nseindia.com
- Stock code/ Symbol:-
Bombay Stock Exchange Ltd: 531381

Madras Stock Exchange AFD Limited

National Stock Exchange of India Ltd: ARIHANT

ISIN for dematerialised shares: INE413D01011
- Market Price Data - High, Low during each month in the last financial year 2006-07

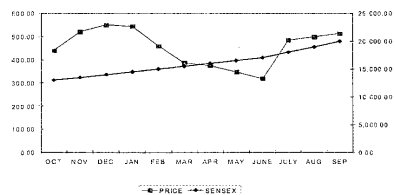




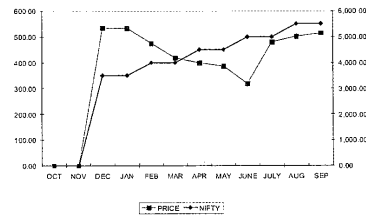
Bombay Stock Exchange Limited / National Stock Exchange of India Ltd

| (BSE) | (in Rupees) | | (NSE) | |
|----------------|-------------|--------|--------|--------|
| Month | High | Low | High | Low |
| October 2006 | 439.40 | 352.00 | --- | --- |
| November 2006 | 521.00 | 381.00 | --- | --- |
| December 2006 | 549.70 | 454.60 | 535.00 | 500.00 |
| January 2007 | 544.00 | 430.00 | 550.00 | 432.25 |
| February 2007 | 459.00 | 338.00 | 475.00 | 350.00 |
| March 2007 | 387.00 | 280.00 | 419.00 | 310.25 |
| April 2007 | 375.00 | 311.00 | 398.90 | 302.00 |
| May 2007 | 347.00 | 261.10 | 387.00 | 260.00 |
| June 2007 | 319.00 | 270.00 | 318.00 | 263.00 |
| July 2007 | 484.00 | 300.00 | 480.00 | 300.00 |
| August 2007 | 499.00 | 356.55 | 501.95 | 352.10 |
| September 2007 | 513.00 | 405.00 | 514.80 | 421.60 |

viii. Stock Performance of the Company in comparison with BSE Sensex for the Financial Year 2006-07



Stock Performance of the Company in comparison with NSE Nifty for the Financial Year 2006-07



ix. Registrar and Share transfer Agent:-

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

x. Share Transfer system

M/s. Cameo Corporate Services Limited., Registrar and Share Transfer Agent, processes the share transfer/ transmission work. The transfers in physical form which are complete in all respects are taken up for approval once in a fortnight and the transferred securities dispatched to the transferee immediately. The details of transfer / transmission are approved by the Shareholder/ Investor Grievance Committee.

Month wise volume of share transferred/ transmitted in physical form during the financial year 01.10.2006 to 30.09.2007 is given hereunder:

| Month | No. of Transfers/ Transmission approved | Total number of shares transferred/transmitted |
|--------------|--|---|
| Oct, 06 | 71 | 174900 |
| Nov | 07 | 2500 |
| Dec | 01 | 100 |
| Jan, 07 | 03 | 3700 |
| Feb | 02 | 1000 |
| Mar | 06 | 3700 |
| Apr | 02 | 200 |
| May | 03 | 300 |
| June | 0 | 0 |
| July | 03 | 40450 |
| Aug | 0 | 0 |
| Sept | 02 | 1400 |
| Total | 100 | 228250 |

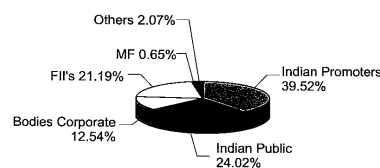
xi. Distribution of Shareholding as on 30.9.2007

| Range of Shares | No. of Share- holders | Percentage | No. of Shares | Percentage |
|-----------------|-----------------------------|---------------|------------------|---------------|
| 1 to 100 | 1064 | 59.65 | 63343 | 0.90 |
| 101 to 500 | 372 | 20.86 | 101953 | 1.46 |
| 501 to 1000 | 95 | 5.33 | 78543 | 1.12 |
| 1001 to 2000 | 66 | 3.70 | 106211 | 1.52 |
| 2001 to 3000 | 48 | 2.69 | 122382 | 1.75 |
| 3001 to 4000 | 16 | 0.90 | 59067 | 0.84 |
| 4001 to 5000 | 30 | 1.69 | 144724 | 2.07 |
| 5001 to 10000 | 43 | 2.41 | 365117 | 5.22 |
| 10001 and above | 60 | 3.37 | 5958660 | 85.12 |
| Total | 1784 | 100.00 | 7000000 | 100.00 |

xii. Shareholding pattern as on 30.9.2007.

| S.No. | Category | No. of Shares | % of Paid up Capital |
|--------------|--|------------------|-------------------------|
| 1. | Indian Promoter's (including Person acting in concert). | 27,66,700 | 39.52 |
| 2. | Indian Public | 16,81,679 | 24.02 |
| 3. | Bodies Corporate | 8,77,938 | 12.54 |
| 4. | FII's | 14,83,601 | 21.19 |
| 5. | Mutual Fund | 45,496 | 0.65 |
| 6. | NRI's | 15,352 | 0.22 |
| 7. | Other | 1,29,234 | 1.85 |
| Total | | 70,00,000 | 100.00 |

Share Holding Pattern



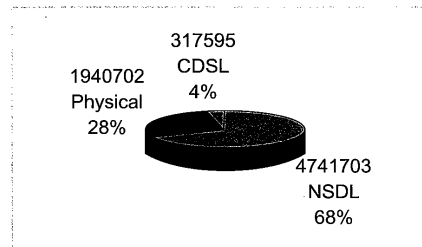
xiii. Dematerialisation of Shares and liquidity.

The dematerialisation facility exists with both the National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) for the convenience of shareholders. As on 30.09.2007, 50,59,298 shares have been dematerialised, representing 72% of the Subscribed capital. The shares of the Company are under BSE INDONEXT Module of Bombay Stock Exchange Limited and are actively trading on Bombay Stock Exchange Limited (BSE) and also on National Stock Exchange of India Limited.





**Demat / Physical status of Shares (% to paid up capital)
as on 30.09.2007**



Secretarial Audit Report

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

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

Nil

xv. Plant Locations.

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

xvi. 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

Corporate Office:

New No.3 (Old No.25), Ganapathy Colony, 3rd Street
Off. Cenotaph Road, Teynampet, Chennai- 600018

CEO/ CFO CERTIFICATION

As required by Clause 49 of the listing agreement, the Certificate duly signed by Mr. Kamal Lunawath., Managing Director, was placed before the Board of Directors at its meeting held on 26.02.2008.

**DECLARATION BY THE CEO UNDER CLAUSE 49
OF THE LISTING AGREEMENT REGARDING
ADHERENCE TO THE CODE OF CONDUCT.**

In accordance with Clause 49 sub clause (ID) of the Listing Agreement with Stock Exchanges, I hereby confirm that, all the Directors and Senior management Personnel of the Company have affirmed compliance to their respective codes of Conduct as applicable to them for the financial year ended 30.09.2007.

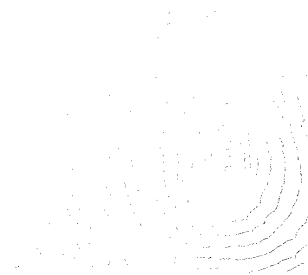
For Arihant Foundations & Housing Ltd

Sd/-

(Kamal Lunawath)
Managing Director

Date: 26.02.2008

Place: Chennai



ANNEXURE I

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Industry Structure and Developments

There is no definite yardstick or parameter to measure the realistic growth level. The growth of real estate sector is all time high due to spurt in establishment of IT Parks, Townships, BPO Centers. Foreign Investors are keen to invest in the real estate sector through automatic route and with the approval of Foreign Investment Promotion Board (FIPB), which facilitate various real estate developers to exploit this opportunity by way of forming SPV's and Joint Ventures.

Opportunities and Threats

The sheer increase in the 'need for build up space' is opening up several opportunities for developers – be it for constructing residential properties, commercial complexes for office space like IT Parks, BPO Centers and retail, setting up of SEZs or developing entertainment zones.

Threats are in the nature of entry of PAN India developers.

Interest rates getting hardening, general perception of market being dull and this perception reinforced by the media.

Outlook

The Indian economy is growing at the rate of 8.5% per year. This means that there is an all round growth in manufacturing, agriculture and service sector with particular reference to financial, IT and IT related services. To support this growth there should be good infrastructure facilities in the form of roads, electricity, housing, hospitality etc. Construction being one of the important component of the overall infrastructure, there

is major thrust on integrated township projects, commercial complexes to cater the needs of the service sector. The demand for quality space in the form of housing and commercial complexes led to appreciation of land prices. Many developers are keen to exploit this opportunity, so as to derive maximum benefit.

Risks and Concern

Higher interest rates, compounded by stricter rules & regulations increase the cost of funds from Banks and financial Institutions. Increase in input cost like Cement, Steel, RMC and other building materials affect the profitability of a project.

Discussion on Financial and Operational Performance

Financial Performance:

In terms of financial performance, financial year 2006-07 is a more prosperous year for the Company. Income from operation of the Company during the year is Rs.236 crores as against the previous year income of Rs.163 crores. Income from operation recorded 45% increase as against the previous year. Profit after tax of the Company during the year is Rs.28 crores as against previous year profit of Rs.20 crores. An increase of 40% in the profit is recorded. The Market Price of share of the Company touched to Rs.750.00 setting all time high. The Board has also recommended final dividend of 40% for the financial year 2006-07.

Operational performance:

According to the nature of business and different land holding regulations, the Company has to continue to float subsidiaries and SPVs for different projects. viz Townships, Hospitality venture, IT Parks so as to give the underlying business focused attention. These subsidiaries and SPV's will be directly or indirectly held by the Parent Company and will be an integral part of the Parent Company "Arihant Foundations & Housing Limited" business strategy.





The Company has various projects in pipeline viz., Township Projects, IT Park, Hotel and Residential Apartments.

The Company is also extending its activities as Developer in other places:

Vijayawada in the state of Andhra Pradesh to develop a Township project of 53 acres on a Joint Venture basis.

Coimbatore, in the state of Tamil Nadu to develop an integrated residential, commercial project.

Internal Control System and their Adequacy

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

Human Resources

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

Annexure II

Non-Mandatory Requirements

Compliance of non-mandatory requirements

(I) Non Executive Chairman:

The Company has a Non-Executive Chairman and the necessary provision has been duly complied with.

(II) Tenure of Independent Directors

No Maximum tenure has been specifically determined for the Independent Directors

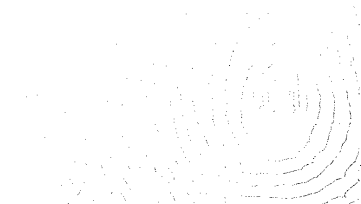
(III) Remuneration Committee

The Company has not constituted Remuneration Committee

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

(IV) Shareholders Rights:

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





COMPLIANCE CERTIFICATE ON CORPORATE GOVERNANCE

To,
The Shareholders
Arihant Foundations & Housing Limited

(V) Postal Ballot:

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

(VI) Audit Qualifications

The Company always strives to present an unqualified financial statement. The remarks/ comments of the Auditors on the financial statements, if any, has/ have been suitably clarified/ explained in the Notes to the Accounts/ Directors, Report.

(VII) Training of Board Members

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

(VIII) Mechanism of Evaluation of Non Executive Directors

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

(IX) Whistle Blower Policy

The Company is in the process of implementing a policy for employees to have an open access to the respective functional heads, Head- HRD, Managing Director and other Key management personnel.

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

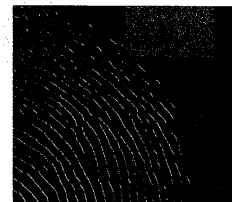
The Compliance of conditions of Corporate Governance, is the responsibility of the Management. Our examination was limited to procedures and implementation thereof, adopted by Arihant Foundations & Housing Limited for ensuring the compliance of the conditions of the Corporate Governance.

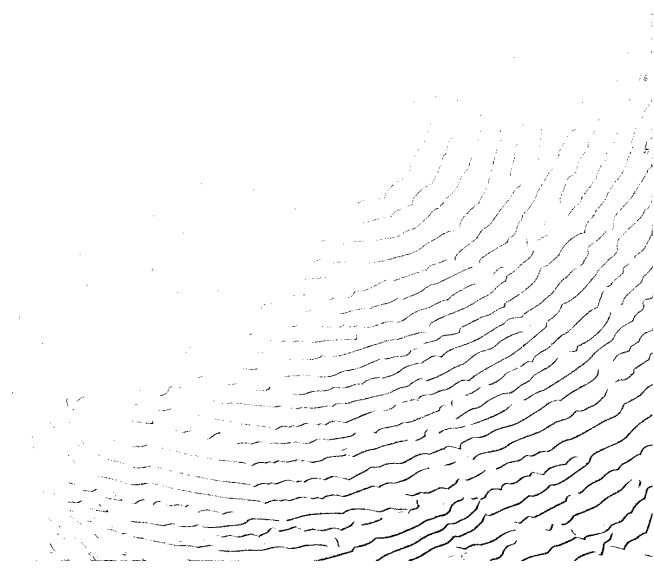
In our opinion and to the best of our information and explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above listing agreement for the year ended 30th September 2007.

For B.P Jain & Co.,
Chartered Accountants
Sd/-
Devendra Kumar Bhandari
Partner

Place: Chennai
Date: 24.12.2007

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AUDITOR'S REPORT

TO

THE MEMBERS OF ARIHANT FOUNDATIONS AND HOUSING LIMITED, CHENNAI.

1. We have audited the attached balance sheet of M/S Arihant Foundations and Housing Limited Chennai as at 30th September 2007, the Profit and 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 ("the Order"), as amended by the Companies (Auditor's Report) (Amendment) Order 2004, issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:

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

ii) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books. The Company does not have any branches. Hence Branch audit and Branch audit report is not applicable.

iii) The balance sheet and profit and 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, and profit and loss account and cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 to the extent applicable except AS-15 and AS-22.

v) The rate of Cess payable under section 441 A of the 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 2007, and taken on record by the Board of Directors, Wherever applicable we report that none of the directors is disqualified as on 30th September 2007 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 read together with the note 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.



**ANNEXURE REFERRED TO IN PARAGRAPH 3 OF
AUDITORS' REPORT OF EVEN DATE ON THE
FINANCIAL STATEMENTS FOR THE YEAR ENDED
30TH SEPTEMBER 2007 OF M/S ARIHANT
FOUNDATIONS & HOUSING LTD.**

- 1) In the case of Balance Sheet, of the state of affairs of the Company as at 30th September 2007 and
- 2) in the case of Profit and Loss account, of the profit of the company for the year ended on that date.
- 3) 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
Sd/-
Devendra Kumar Bhandari
Partner
Membership No. 208862

Place: Chennai
Date: 24.12.2007

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. The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets. None of assets have been revalued during the year.
2. (a) The Stock of construction materials have been physically verified at periodic intervals and no significant discrepancies have been noticed on such verification during the year.
(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 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 raw materials is as per normally accepted accounting principles. The company has not identified slow moving building materials separately.
3. (a) The Company has granted during the year loans, secured or unsecured to companies, firms or other parties listed in the Register maintained under section 301 of the Companies Act, 1956, and the details are as follows.
 - (i) No. of Parties : 17 (Seventeen)
 - (ii) Amount involved in the transaction : Rs. 7.28 Crore
(b) The rate of interest and other terms and conditions of loans given by the company, secured and unsecured, are not prima facie prejudicial to the interest of the Company.





- (c) The receipt of the principal amount and interest are also regular from parties.
- (d) Where the overdue amount is more than Rs. 1 lakh, reasonable steps have been taken by the company for recovery of principal and interest.
- (e) The company has taken loans secured or unsecured from 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.
- (i) No of Parties: 40 (fourty)
- (ii) Amount involved in the transaction : Rs. 10.81 Crores
- (f) The rate of interest and other terms and conditions of loan taken by the Company, secured and unsecured are not prima facie, prejudicial to the interest of the company.
- (g) The payment of 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 according to the information and explanations given by the management, the particulars of contracts or arrangements referred to in section 301 of the Companies Act, 1956 have been duly 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 fixed deposits and the directives issued by the RBI and the provisions of Section 58A, 58AA of the Companies Act, 1956 and rules framed there under have been duly complied with. However the company is yet to file annual return of deposits for the year 2007.
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 internal audit system commensurate with size and nature of its 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. (a) According to the information and explanations given to us and records of the Company examined by us, in our opinion, the Company is regular in depositing with appropriate authorities statutory dues including Investor Education, and Protection Fund, Income Tax, Sales Tax, Wealth Tax, Service Tax, Cess, VAT, and other material statutory dues Whereever applicable except to the extend of Service Tax dues of Rs.25338/- paid for more than six months.
- (b) According to the information and explanations given to us and the records of the Company examined by us, the disputed amount payable in respect of Income Tax not deposited with the appropriate authorities is as follows.
10. Being a company registered for a period not less than five years, there is no accumulated losses at the end of the financial year and there are no cash losses in the financial year and in the financial years preceding such financial years 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. The Company has filed contempt of Court petition vide Petition . 384/2004 against HUDCO for not following the order of High Court. HUDCO has filed a suit in the Debt Recovery Tribunal.

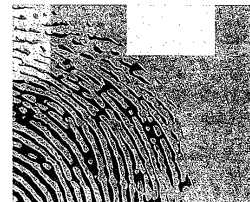
| Nature | Amount Rs.In.lacs) | Period to which the amount relates | Forum where of Due dispute is pending |
|------------|-----------------------|--|--|
| Income Tax | 37.59 | Assessment Year 1999-2000 | Commissioner of Appeal, Chennai. |

12. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. The Special Statutes applicable to a chit fund is not applicable to the Company since the company is not a chit Fund Company.
14. The Company has made investments in Subsidiary Companies, Quoted shares, and not trading in Shares, Securites, Debentures.
15. The Company has given guarantees for loans taken by others from banks or financial institutions. The terms and conditions are not prejudicial to the interest of the company
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 not made any preferential allotment of shares to the parties and companies covered in the register maintained under section 301 of the Companies Act. This is not applicable.
19. The company has not issued any debentures to create the securities.
20. There is no public issue during the year.
21. No fraud on or by the company has been noticed or reported during the year.

For B.P. Jain & Co.
Chartered Accountants
Sd/-
Devendra Kumar Bhandari
Partner
Membership No. 208862

Place: Chennai
Date: 24.12.2007



ARIHANT FOUNDATIONS & HOUSING LIMITED
BALANCE SHEET AS AT 30TH SEPTEMBER 2007

| | SCHEDULE NO | AMOUNT AS ON 30.09.2007 | | AMOUNT AS ON 30.09.2006 | |
|--|----------------|----------------------------|----------------------|----------------------------|----------------------|
| | | Rs. | Rs. | Rs. | Rs. |
| I SOURCES OF FUNDS | | | | | |
| (1) SHARE HOLDER'S FUNDS | | | | | |
| (A) SHARE CAPITAL | I | 70000000.00 | | 60000000.00 | |
| (B) RESERVES & SURPLUS | II | 1002343157.78 | 1072343157.78 | 576447950.90 | 636447950.90 |
| (2) LOAN FUNDS | | | | | |
| (A) SECURED LOANS | III | 571409805.59 | | 897266020.12 | |
| (B) UNSECURED LOANS | IV | 421867835.38 | 993277640.97 | 167456486.28 | 1064722506.40 |
| TOTAL | | | 2065620798.75 | | 1701170457.30 |
| II APPLICATION OF FUNDS | | | | | |
| (1) FIXED ASSETS | | | | | |
| A) GROSS BLOCK | V | 155143072.00 | | 134817730.97 | |
| Less: DEPRECIATION | | 16772013.27 | | 12358029.67 | |
| Net Block | | | 138371058.73 | | 122459701.30 |
| (2) INVESTMENTS | VI | | 69413981.00 | | 195585327.83 |
| (3) CURRENT ASSETS, LOANS & ADVANCES | | | | | |
| (I) CURRENT ASSETS | | | | | |
| A) INVENTORIES | VII | 1045540555.72 | | 680243980.90 | |
| B) SUNDRY DEBTORS | VIII | 543759839.94 | | 794063598.33 | |
| C) CASH & BANK BALANCE | IX | 39424842.10 | | 24001058.55 | |
| (II) LOANS & ADVANCES | X | 858761940.00 | | 296268073.52 | |
| | | 2487487177.76 | | 1794576711.30 | |
| LESS: CURRENT LIABILITIES AND PROVISIONS | | | | | |
| A) CURRENT LIABILITIES | XI | 543971090.47 | | 361783642.57 | |
| B) PROVISIONS | XII | 85782328.27 | | 49795140.56 | |
| | | 629753418.74 | 1857733759.02 | 411578783.13 | 1382997928.17 |
| (4) MISCELLANEOUS EXPENSES TO THE EXTENT NOT WRITTEN OFF | XIII | | 102000.00 | | 127500.00 |
| TOTAL | | | 2065620798.75 | | 1701170457.30 |
| Significant accounting policies and notes Forming part of accounts | XVIII | | | | |
| <p>As per our attached report of even date for B.P. Jain & co. Chartered accountants Sd/- Devendra Kumar Bhandari Partner Chennai 24.12.2007</p> <p>for and on behalf of board for Arihant Foundations & Housing Limited sd/- Kamal Lunawath Managing Director</p> <p>sd/- Vimal Lunawath Wholtime Director</p> <p>sd/- Priti Venkatesan Company Secretary</p> | | | | | |



| ARIHANT FOUNDATIONS & HOUSING LIMITED | | | |
|--|--------------|-----------------------------------|-----------------------------------|
| PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDING 30.9.2007 | | | |
| SCHEDULE NO | | AMOUNT AS ON 30.09.2007 RS. | AMOUNT AS ON 30.09.2006 Rs. |
| I. INCOME | | | |
| (A) INCOME FROM OPERATIONS | XIV | 2321174986.34 | 1614650107.15 |
| (B) OTHER INCOME | | 37368713.92 | 14791958.49 |
| | TOTAL | <u>2358543700.26</u> | <u>1629442065.64</u> |
| II. EXPENDITURE | | | |
| (A) CONSTRUCTION EXPENSES | XV | 1858222992.30 | 1301529627.44 |
| (B) ADMINISTRATION AND ESTABLISHMENT EXPENSES | XVI | 152126639.96 | 35760103.01 |
| (C) INTEREST AND FINANCE CHARGES | XVII | 24784877.52 | 47594391.25 |
| (D) DEPRECIATION | | 4413983.60 | 3798862.50 |
| | | <u>2039548493.38</u> | <u>1388682984.20</u> |
| PROFIT AFTER DEPRECIATION | | 318995206.88 | 240759081.44 |
| PROVISION FOR TAXATION | | 36000000.00 | 40000000.00 |
| PROFIT AFTER TAX | | 282995206.88 | 200759081.44 |
| PROPOSED DIVIDEND | | 28000000.00 | 13683000.00 |
| TRANSFERRED TO GENERAL RESERVE | | 28299520.69 | 15056931.11 |
| BALANCE CARRIED FORWARD TO BALANCE SHEET | | 226695686.19 | 172019150.33 |
| Significant accounting policies and notes forming part of accounts | | VI II | |

As per our attached report of even date for B.P. Jain & co.
Chartered accountants
Sd/-
Devendra Kumar Bhandari
Partner
Chennai
24.12.2007

for and on behalf of board for Arihant Foundations & Housing Limited
sd/-
Kamal Lunawath
Managing Director

sd/-
Vimal Lunawath
Wholetime Director

sd/-
Priti Venkatesan
Company Secretary

| ARIHANT FOUNDATIONS & HOUSING LIMITED | | | | | | | | | | |
|--|--|--|--|--|----------------------------|---------------|----------------------------|-----|-----|--------------|
| SCHEDULES TO THE BALANCE SHEET | | | | | | | | | | |
| | | | | | AMOUNT AS ON 30.09.2007 | | AMOUNT AS ON 30.09.2006 | | | |
| | | | | | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. |
| SCHEDULE - I | | | | | | | | | | |
| SHARE CAPITAL AUTHORISED | | | | | | 100000000.00 | | | | 70000000.00 |
| 10000000 EQUITY SHARES OF RS. 10/- EACH | | | | | | | | | | |
| ISSUED, SUBSCRIBED & PAID UP | | | | | | | | | | |
| 50,00,000 EQUITY SHARES | | | | | | | | | | |
| OF RS. 10/- EACH FULLY PAID UP | | | | | 50000000.00 | | 50000000.00 | | | |
| 20,00,000 EQUITY SHARES | | | | | | | | | | |
| OF RS. 10/- EACH FULLY PAID UP ISSUED AT A PREMIUM | | | | | 20000000.00 | | 10000000.00 | | | |
| OF RS. 191/- PER SHARE | | | | | | | | | | |
| SCHEDULE - II | | | | | | | | | | |
| RESERVES & SURPLUS | | | | | | | | | | |
| BALANCE AS PER LAST BALANCE SHEET | | | | | 27961427.06 | | 12904495.95 | | | |
| GENERAL RESERVE | | | | | 28299520.69 | 56260947.75 | 15056931.11 | | | 27961427.06 |
| ADD : ADDITIONS DURING THE YEAR | | | | | | | | | | |
| PROFIT & LOSS ACCOUNT BALANCE | | | | | 337386523.84 | | 165367373.51 | | | |
| ADD : ADDITIONS DURING THE YEAR | | | | | 226695686.19 | 564082210.03 | 172019150.33 | | | 337386523.84 |
| SECURITY PREMIUM | | | | | | | | | | |
| 20,00,000 EQUITY SHARES | | | | | | | | | | |
| OF RS. 191/- PER SHARE | | | | | | 382000000.00 | | | | 191000000.00 |
| | | | | | | | | | | 20100000.00 |
| SCHEDULE - III | | | | | | 1002343157.78 | | | | 576447950.90 |
| SECURED LOAN | | | | | | | | | | |
| FINANCIAL INSTITUTIONS | | | | | 99199507.00 | | 99199507.00 | | | |
| BANKS | | | | | 441709438.59 | | 762851228.12 | | | |
| INTEREST ACCRUED & DUE | | | | | 30500860.00 | | 35215285.00 | | | |
| (Secured against Mortgage of Property | | | | | | | | | | |
| in relevant projects and directors personal guarantee) | | | | | | 571409805.59 | | | | 897266020.12 |
| SCHEDULE - IV | | | | | | | | | | |
| UNSECURED LOANS | | | | | | | | | | |
| (A) FIXED DEPOSITS | | | | | 15467383.91 | | 37778015.00 | | | |
| (B) DIRECTORS | | | | | 131050.00 | | 8750225.30 | | | |
| (C) INTERCORPORATE DEPOSITS | | | | | 333622688.00 | | 15623050.00 | | | |
| (D) UNSECURED LOANS - OTHERS | | | | | 72646713.47 | 421867835.38 | 105305195.98 | | | 167456486.28 |
| SCHEDULE - V | | | | | | | | | | |
| FIXED ASSETS | | | | | | | | | | |

| PARTICULARS | GROSS BLOCK | | | | DEPRECIATION | | | | NET BLOCK | |
|--------------------------|--------------------------|---|---|--------------------------|--------------------------|---|---|------------------------|---------------------|---------------------|
| | Balance as on 01.10.2006 | Additions during 01.10.2006 to 30.09.2007 | Deletions during 01.10.2006 to 30.09.2007 | Balance as at 30.09.2007 | Balance as on 01.10.2006 | For the period 01.10.2006 to 30.09.2007 | Deletions during 01.10.2006 to 30.09.2007 | Total as on 30.09.2007 | As on 30.09.2006 | As on 30.09.2007 |
| Land | 17931721.00 | 0.00 | 0.00 | 17931721.00 | 0.00 | 0.00 | 0.00 | 0.00 | 17931721.00 | 17931721.00 |
| Buildings | 81956685.00 | 4780282.00 | 0.00 | 86736967.00 | 4522065.42 | 1361938.00 | 0.00 | 5884003.42 | 77434619.58 | 80852963.58 |
| Vehicles | 8284426.00 | 6659818.63 | 0.00 | 14944244.63 | 1570281.51 | 993568.75 | 0.00 | 2563850.26 | 6714144.49 | 12380394.37 |
| Plant & machinery | 14083594.97 | 2400137.00 | 0.00 | 16483731.97 | 3073384.84 | 1043717.54 | 0.00 | 4117102.38 | 11010210.13 | 12366629.59 |
| Furniture & fixtures | 12514048.00 | 5948741.00 | 0.00 | 18462789.00 | 3145041.90 | 995746.31 | 0.00 | 4140788.21 | 9369006.10 | 14322000.79 |
| Books | 47256.00 | 19013.00 | 0.00 | 66269.00 | 47256.00 | 19013.00 | 0.00 | 66269.00 | 0.00 | 0.00 |
| Capital work in progress | | 517349.40 | | 517349.40 | | | | 0.00 | 0.00 | 517349.40 |
| Total | 134817730.97 | 20325341.03 | 0.00 | 155143072.00 | 12358029.67 | 4413983.60 | 0.00 | 16772013.27 | 122459701.30 | 138371058.73 |

ARIHANT FOUNDATIONS & HOUSING LIMITED
SCHEDULES TO THE BALANCE SHEET

| | AMOUNT AS ON 30.09.2007 | | AMOUNT AS ON 30.09.2006 | |
|---|----------------------------|-------------|----------------------------|--------------|
| | Rs. | Rs. | Rs. | Rs. |
| SCHEDULE - VI | | | | |
| INVESTMENTS | | | | |
| LONG TERM INVESTMENTS | | | | |
| NON-QUOTED (FULLY PAID AT COST) | | | | |
| NATIONAL SAVINGS CERTIFICATE | 5000.00 | | 0.00 | |
| TRADE INVESTMENTS | | | | |
| SHARES IN COMPANIES - UNQUOTED | | | | |
| (i) Arihant Unitech Reality Projects Ltd. (500000 Equity Shares of Rs. 10/- each Fully Paid Up Shares) | 5000000.00 | | 5000000.00 | |
| (ii) Arihant Unitech Reality Projects Ltd. (Share application money) | 0.00 | | 171120000.00 | |
| (iii) Escapade Real Estate Pvt. Ltd. (1000000 Equity Shares Class A of Rs. 10/- each Fully Paid Up) | 1000000.00 | | | |
| (1000000 Equity Shares Class C of Rs. 10/- each Fully Paid Up) | 10000000.00 | | | |
| (iv) Arihant Indo African Infra Developers & Builders Pvt. Ltd. (4000 Equity Shares of Rs. 10/- each Fully Paid Up Shares) | 40000.00 | | | |
| (iv) Arihant Indo African Infra Developers & Builders Pvt. Ltd. (Share application money) | 50285798.00 | | | |
| WHOLLY OWNED SUBSIDIARY COMPANIES | | | | |
| INVESTMENTS IN SUBSIDIARY COMAPANIES | | | | |
| ARIHANT GRIHA LTD. (50000 Equity shares of Rs. 10/- each fully paid) | 500000.00 | | 500000.00 | |
| VARENIA CONSTRUCTIONS LTD. (50000 Equity Shares of Rs. 10/- each fully paid) | 500000.00 | | 500000.00 | |
| TRANSPARENT HEIGHTS REAL ESTATE LTD. (50000 Equity Shares of Rs. 10/- each fully paid) | 500000.00 | | 500000.00 | |
| VAIKUNT HOUSING LTD. (500000 Equity Shares of Rs. 1/- each fully paid) | 500000.00 | | 500000.00 | |
| QUOTED (FULLY PAID AT COST) | | | | |
| HAPPY HOMES PROFIN LTD. (44800 equity shares of Rs. 10/- each Fully paid up) | 1.00 | | 1.00 | |
| Indotech Transformers Ltd. (1391 equity shares of Rs. 130/- each Fully paid up) (Market Value Rs. 718452) | 180830.00 | | 180830.00 | |
| Tata Liquid Fund [14698.836 units @ Marketvalue of Rs.1114.52 per unit] | 0.00 | | 16382144.83 | |
| Tata Consultancy Services Ltd. [1800 equity shares of Rs. 1/- each Fully paid up shares (Market Value Rs.1902150)] | 902352.00 | | 902352.00 | |
| | | 69413981.00 | | 195585327.83 |
| Aggregate amount of | | | | |
| Quoted Investment | 1083183.00 | | 17465327.83 | |
| Un-Quoted Investment | 68330798.00 | | 178120000.00 | |

| ARIHANT FOUNDATIONS & HOUSING LIMITED | | | | |
|---|----------------------------|---------------|----------------------------|--------------|
| SCHEDULES TO THE BALANCE SHEET | | | | |
| | AMOUNT AS ON 30.09.2007 | | AMOUNT AS ON 30.09.2006 | |
| | Rs. | | Rs. | |
| SCHEDULE VII | | | | |
| INVENTORIES & WORK IN PROGRESS | | | | |
| (At cost taken, valued and certified by the management) | | | | |
| STOCK OF CONSTRUCTION RAW MATERIAL | 1598300.00 | | 901600.00 | |
| FINISHED STOCK | 217474351.18 | | 136412052.18 | |
| WORK IN PROGRESS | 826467904.54 | | 542930328.72 | |
| | | 1045540555.72 | | 680243980.90 |
| SCHEDULE VIII | | | | |
| SUNDRY DEBTORS | | | | |
| (UNSECURED & CONSIDERED GOOD) | | | | |
| DEBTS OUTSTANDING FOR A PERIOD MORE THAN SIX MONTHS | 118057018.83 | | 159700603.76 | |
| LESS THAN SIX MONTHS | 425702821.11 | | 634362994.57 | |
| | | 543759839.94 | | 794063598.33 |
| SCHEDULE IX | | | | |
| CASH & BANK BALANCE | | | | |
| (A) CASH BALANCE ON HAND | 1756109.13 | | 314918.00 | |
| (B) BALANCE WITH SCHEDULED BANKS | 25905657.97 | | 15287912.55 | |
| (C) FIXED DEPOSITS WITH SCHEDULED BANK | 11763075.00 | | 8398228.00 | |
| | | 39424842.10 | | 24001058.55 |
| SCHEDULE X | | | | |
| LOANS & ADVANCES | | | | |
| UNSECURED CONSIDERED GOOD TO BE RECEIVED IN CASH OR KIND | | | | |
| (A) SECURITY DEPOSITS | 34914145.18 | | 34266380.00 | |
| (B) ADVANCE FOR EXP./CONTRACTORS | 325859489.30 | | 97606905.65 | |
| (C) OTHER DEPOSITS | 217901112.52 | | 154382605.87 | |
| (D) PREPAID EXPENSES | 1000781.00 | | 610770.00 | |
| (E) ADVANCE FOR PURCHASE OF LAND | 34086412.00 | | 2401412.00 | |
| (F) TENDER DEPOSIT | 200000000.00 | | 0.00 | |
| (G) ADVANCE TAX | 45000000.00 | | 7000000.00 | |
| | | 858761940.00 | | 296268073.52 |

ARIHANT FOUNDATIONS & HOUSING LIMITED
SCHEDULES TO THE BALANCE SHEET

| | AMOUNT AS ON 30.09.2007 | | AMOUNT AS ON 30.09.2006 | |
|--|----------------------------|---------------|----------------------------|---------------|
| | Rs. | Rs. | Rs. | Rs. |
| SCHEDULE XI | | | | |
| CURRENT LIABILITIES | | | | |
| (A) ADVANCE FROM CUSTOMERS & PROJECTS | 137118548.72 | | 200638670.28 | |
| (B) BANK OVERDRAFT C.C. A/C | 75416644.08 | | 17316681.15 | |
| (C) OUTSTANDING LIABILITIES | 294189203.77 | | 101445516.38 | |
| (D) RENTAL DEPOSITS | 24507438.00 | | 24507438.00 | |
| (E) SUNDRY CREDITORS FOR SUPPLIERS | 5396880.90 | | 12435961.76 | |
| (F) IEPF | 101621.00 | | 55010.00 | |
| (G) SHARE WARRANT APPLICATION MONEY EXCESS RECEIVED | 10000.00 | | 10000.00 | |
| (H) OTHER LIABILITIES | 7230754.00 | | 5374365.00 | |
| | | 543971090.47 | | 361783642.57 |
| SCHEDULE - XII | | | | |
| PROVISIONS | | | | |
| (A) PROVISION FOR TAXATION | 51743098.73 | | 31808176.73 | |
| (B) PROVISION FOR DIVIDEND | 34039229.54 | | 17986963.83 | |
| | | 85782328.27 | | 49795140.56 |
| SCHEDULE - XIII | | | | |
| MISCELLANEOUS EXPENDITURE | | | | |
| (A) PRELIMINARY EXPENSES | 47500.00 | | 50000.39 | |
| (B) DEFERRED REVENUE EXP | 80000.00 | | 121505.46 | |
| | 127500.00 | | 171505.85 | |
| LESS: WRITTEN OFF | 25500.00 | | 44005.85 | |
| | | 102000.00 | | 127500.00 |
| SCHEDULE - XIV | | | | |
| INCOME FROM OPERATION | | | | |
| (A) SALES | 1219572494.62 | | 886971203.25 | |
| (B) RENTAL RECEIPTS | 56061936.00 | | 47434923.00 | |
| (C) CLOSING STOCK | 1598300.00 | | 901600.00 | |
| (D) FINISHED GOODS | 217474351.18 | | 136412052.18 | |
| (E) WORK IN PROGRESS | 826467904.54 | | 542930328.72 | |
| | | 2321174986.34 | | 1614650107.15 |
| SCHEDULE - XV | | | | |
| (A) CONSTRUCTION EXPENSES | | | | |
| (a) MATERIAL | 326745585.59 | | 338460791.82 | |
| (b) LABOUR & SUB CONTRACT EXP | 295944918.32 | | 285866591.75 | |
| (c) OTHER EXPENSES | 1000180535.23 | | 405265369.13 | |
| | | 1622871039.14 | | 1029592752.70 |
| (B) LAND | | 235351953.16 | | 271936874.74 |
| | | 1858222992.30 | | 1301529627.44 |

| ARIHANT FOUNDATIONS & HOUSING LIMITED SCHEDULES TO THE BALANCE SHEET | | | | |
|---|-----------------------------------|--------------|-----------------------------------|-------------|
| | AMOUNT AS ON 30.09.2007 Rs. | | AMOUNT AS ON 30.09.2006 Rs. | |
| | | | | |
| SCHEDULE - XVI | | | | |
| ADMINISTRATIVE AND ESTABLISHMENT EXPENSES | | | | |
| A. ADMINISTRATIVE EXPENSES | | | | |
| AUDIT FEES | 333840.00 | | 330600.00 | |
| ADVANCES UNRECOVERABLE WRITTEN OFF | 32975034.00 | | 1400000.00 | |
| ACCOUNTS WRITTEN OFF | 5898160.00 | | -1373.00 | |
| BANK CHARGES | 362338.27 | | 283533.90 | |
| DIRECTORS REMUNERATION | 6172677.85 | | 3699029.40 | |
| DONATION | 1161425.00 | | 945944.00 | |
| ELECTRICITY CHARGES | 335126.00 | | 179563.00 | |
| FILING, LEGAL & OTHER FEES | 5992565.00 | | 7348822.14 | |
| MISCELLANEOUS EXPENSES | 12828604.88 | | 5651894.65 | |
| INSURANCE | 139504.00 | | 500768.00 | |
| LEAVE TRAVEL ALLOWANCE | 0.00 | | 149000.00 | |
| OFFICE MAINTENANCE | 283324.50 | | 127466.50 | |
| PRINTING & STATIONERY | 1244878.45 | | 1004261.46 | |
| RENT | 36790600.00 | | 258000.00 | |
| REPAIRS & MAINTENANCE OF BUILDING | 35112036.62 | | 5474558.31 | |
| SHARE REGISTRAR EXPENSES | 36789.00 | | 39158.00 | |
| STAFF SALARY | 4617195.00 | | 3775163.00 | |
| STAFF WELFARE | 358967.75 | | 46540.50 | |
| SUBSCRIPTION & PERIODICALS | 63674.00 | | 45739.00 | |
| TELEPHONE & POSTAGE | 782765.20 | | 525451.70 | |
| TRAVELLING, CONVEYANCE & FUEL | 4035095.00 | | 2020865.04 | |
| | | 149524600.52 | | 33804985.60 |
| B. SALES PROMOTION | | | | |
| ADVERTISEMENT EXPENSES | 1030958.00 | | 1394175.00 | |
| BUSINESS PROMOTION | 1545581.44 | | 516936.56 | |
| | | 2576539.44 | | 1911111.56 |
| C. DEFERRED REVENUE EXPENDITURE | | 20000.00 | | 40000.00 |
| D. PRE-OPERATIVE EXPENSES | | 5500.00 | | 4005.85 |
| | | 152126639.96 | | 35760103.01 |
| SCHEDULE XVII | | | | |
| INTEREST & FINANCIAL CHARGES | | | | |
| BILL DISCOUNTING CHARGES | 0.00 | | 2327855.25 | |
| INTEREST | 24784877.52 | | 45266536.00 | |
| | | 24784877.52 | | 47594391.25 |

SCHEDULE XVIII

BASIS OF PREPARATION OF FINANCIAL STATEMENT

A. SIGNIFICANT ACCOUNTING POLICIES

- 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.
- 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.
- The Fixed Assets are stated at cost of acquisition less Depreciation, cost includes all the related expenses incurred.
- 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/-.
- 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 RECOGNITION

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

(a) SUNDRY DEBTORS

Represents value of sales less amount received

(b) WORK IN PROGRESS

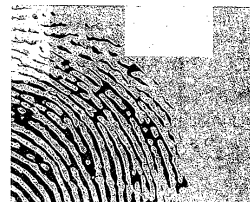
- Represents Direct Cost of project and valued at cost less cost of sales.
- Adjustable interest free deposits paid to land owners have been treated as part of project cost.

(c) FINISHED STOCK

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

B. NOTES ON ACCOUNTS

- The provision is made for taxation on proportionate period basis for the year ended 30.09.2007
 - Previous years figures have been regrouped wherever necessary in Balance Sheet.
 - 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.
 - The provisions for Provident Fund are not applicable to the Company for this year.
 - 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.
- | 6 | 30.09.07 | 30.09.06 |
|---|----------|----------|
| 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. | one | 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 |



7. Sundry Debtors, Sundry Creditors and Loans and Advances are subject to confirmation.
8. As the Company has borrowed funds for the projects, interest has been accordingly charged to respective projects for which borrowing was made.
9. 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.
10. 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.

11. DIRECTORS' REMUNERATION

(12 months)
(Rs.in lacs)

| CALCULATION OF NET PROFIT FOR THE PURPOSE OF COMMISSION TO MANAGING DIRECTOR | | | |
|---|-------|---|----------|
| Managing director's remuneration (including Dearness and all other allowances) | 7.25 | Gross Income | 23585.44 |
| Commission to managing director (1% of the Net Profit) | 32.52 | Less: Direct Cost | 18582.23 |
| Other director's remuneration | 21.96 | Administrative Overheads (Excluding Director's Remuneration) | 1751.53 |
| Total | 61.73 | Net Profit For Calculation Of Commission | 3251.68 |
| | | Commission @ 1% Rounded to | 32.52 |

12. REMUNERATION TO AUDITORS

| | |
|------------------------------|---------------|
| Statutory Auditors | 2006-2007(Rs) |
| i) As Auditors | 1,68,540 |
| ii) In other capacity | |
| a) For Tax Audit | 1,12,360 |
| b) Income-tax representation | 56,180 |

Total 3,37,080

14 . DISCLOSURE AS PER CLAUSE 13.5A OF CHAPTER XIII OF SEBI (DIP) GUIDELINES:

Utilisation of funds received by the company through issue of equity shares (private placement basis) upon conversion of warrants:

During the financial year the company has converted 10,00,000 convertible warrants in to 10,00,000 equity shares and received an amount of Rs.18.09 crores and utilised it towards purchase of property.

13. REPORT ON JOINT VENTURE & ASSOCIATES

| Name of the Joint Venture | Purpose | Nature of Concern |
|--|---|---|
| a) Arihant Unitech Realty Projects Limited (S.P.V) | Development of Residential Township | Equity Participation 50:50 Investment in Equity Rs.50,00,000 |
| b) Escapade Real Estate Pvt. Ltd. | Development of Residential Township of 45 acres | Equity Participation 50:50 Investment in Equity Rs.1,10,00,000 |
| c) Arihant Indo African Infra Developers & Builders Pvt. Ltd | Development of Residential Township of 53 acres | Equity Participation 26% Investment in Equity Rs.40,000 |
| d) SSI Ltd. Arihant Foundations & Housing Ltd. , Unitech Ltd., & PVP Ventures Pvt. Ltd. | Development of Residential & Commercial Complex | 43% 57% |
| e) Arihant Foundations(PF) | Residential Apt. | 4% |
| f) Arihant Foundations & Housing(PF) | Residential Apt. | 3% |
| g) Arihant Heirloom(PF) | Residential Apt. | 51.64% |

ARIHANT FOUNDATIONS & HOUSING LIMITED
CASH FLOW STATEMENT FOR THE YEAR ENDED 30.09.2007

| | RS. | RS. |
|---|---------------------|---|
| A. CASH FLOW FROM OPERATING ACTIVITIES | | |
| Net Profit/Loss Before Tax and Extraordinary Items | | 318995206.88 |
| Add: Adjustment for: | | |
| Depreciation | | 4413983.60 |
| Miscellaneous Expenditure Writtenoff | | 25500.00 |
| Interest and Finance Charges | | <u>24784877.52</u> |
| Operating Profit Before Working Capital Changes | | 348219568.00 |
| Add: Adjustments for: | | |
| Decrease in Trade and Other Receivables | -312190108.1 | |
| Increase in Inventories | -365296574.82 | |
| Increase in Trade Payables | 218174635.6 | |
| Provision for Tax | <u>-36000000.00</u> | |
| Net Cash From Operations | | <u>-4953120471.32</u> <u>-147092479.32</u> |
| B. CASH FLOW FROM INVESTMENT ACTIVITIES | | |
| Purchase of Fixed Assets | -20325341.03 | |
| Purchase of Investments | <u>126171346.8</u> | |
| Net Cash used in Investing Activities | | 105846005.80 |
| C. CASH FLOW FROM FINANCING ACTIVITIES | | |
| Proceeds from Borrowings | -71444865.43 | |
| Proceeds from Issue of shares | 180900000.00 | |
| Payable Proposed Dividend | -28000000.00 | |
| Interest Paid | <u>-24784877.52</u> | |
| Net Cash From Financing Activities | | 56670257.05 |
| NET INCREASE IN CASH AND CASH EQUIVALENTS(A+B+C) | | 15423783.55 |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR | | 24001058.55 |
| CASH AND CASH EQUIVALENTS AT THE CLOSE OF THE YEAR | | 39424842.10 |

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

sd/-
Kamal Lunawath
Managing Director
Chennai
24.12.2007

sd/-
Vimal Lunawath
Wholetime Director

sd/-
Priti Venkatesan
Company Secretary

AUDITORS' CERTIFICATE

We have examined the above cash flow statement of Arihant Foundations & Housing Limited for the year ended 30th September, 2007. The Statement has been prepared by the Company in accordance with the requirement of Clause 32 of the Listing agreement with 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 December 24, 2007 to the members of the Company.

Place : Chennai
Date : 24.12.2007

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.

State Code

Balance Sheet Date

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

Public Issue

Rights Issue

Bonus Issue

Private Placement

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

Total Liabilities

Total Assets

Source of Funds

Paid up Capital

Reserves & Surplus

Secured Loan

Unsecured Loan

Application of Funds

Net Fixed Assets

Investments

Net Current Assets

Miscellaneous Exp.

Accumulated Losses

IV. Performance of the Company (Rupees in thousands)

Turnover

Total Expenditure

Profit Before Tax

Profit After Tax

Earnings Per Share (Rs.)

Divident Rates (%)

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

Item Code No.

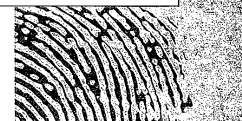
Product Description

I., Development of Property and
Construction of Commercial
Complex and Residential Flats.



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

| Sl. No. | Name of Subsidiary Company | Financial Year of the Subsidiary Company ended on | Interest of the Company in the Subsidiary Companies at the end of the irrespective financial years | Net aggregate of Profit/(Loss) of the Subsidiary Company so far as it concerns the members of Arihant Foundations & Housing Limited which are | | | | |
|--|---|---|--|---|---------------------------------------|---|---------------------------------------|---|
| | | | | Dealt with in the accounts of the Company amounted to | | Not dealtwith in the accounts of the Company amounted to | | |
| | | | | (Rupees in Lacs) | | | | |
| | | | Share holding (No. of shares) | Extent of holding | For subsidiary's financial year ended | For previous financial year of subsidiary since it became subsidiary of Arihant Foundations & Housing Limited | For subsidiary's financial year ended | For previous financial year of subsidiary since it became subsidiary of Arihant Foundations & Housing Limited |
| 1. | Varenya Constructions Limited | 31.03.2007 | 50000 | 100% | Nil | Nil | (-) 0.27 | Nii |
| 2. | Transperent Heights Real Estate Limited | 31.03.2007 | 50000 | 100% | Nil | Nil | (-)14.39 | Nil |
| 3. | Arihant Griha Limited | 31.03.2007 | 50000 | 100% | Nil | Nil | (-)0.23 | Nil |
| 4. | Vaikunt Housing Ltd | 31.07.2007 | 500000 | 100% | Nil | Nil | (-)13.73 | 8.31 |
| for and on behalf of board for Arihant Foundations & Housing Limited sd/- Kamal Lunawath Managing Director | | | | | | | | |
| sd/- Vimal Lunawath Wholetime Director | | | | | | | | |
| sd/- Priti Venkatesan Company Secretary | | | | | | | | |
| Chennai 24.12.2007 | | | | | | | | |





VARENIA CONSTRUCTIONS LIMITED

Regd Office: 271, Poonamallee High Road, Ankur Manor, 1st Floor,
Off Mc Nichols Road, Kilpauk, Chennai- 600010

PARTICULARS OF EMPLOYEES UNDER SECTION 217(2A)

The Company has no employee of the category mentioned in sub-section (2A) of Section 217 of the Companies Act 1956.

DIRECTORS' REPORT

Your Directors take pleasure in presenting the 1st Annual Report to the Shareholders together with the Audited Accounts for the period ended 31st March, 2007.

FINANCIAL

For the financial year end 31.03.2007, your Company has incurred a net loss of Rs.27,054/-.

DIVIDEND

In the absence of any profits, your Directors have not recommended any dividend for the period ended 31.03.2007.

DIRECTORS

There is no change in the Directorship during the period. Mr. Kamal Lunawath, Mr. Vimal Lunawath and Mr. Abhishek Chandak are the First Directors of the Company.

STATUTORY AUDITORS

M/s. B.P.Jain & Co., Chartered Accountants, retire at the conclusion of 1st Annual General Meeting and being eligible, will be reappointed as Statutory Auditors to hold office from the conclusion of the 1st Annual General Meeting till the conclusion of next Annual General Meeting.

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

There were no particulars to be furnished in this Report as required under Section 217(1)(e) of the Companies Act, 1956 relating to conservation of energy and technology absorption. There were no earnings in foreign currency during the year and also there were no expenditure in foreign currency.

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:

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

For and on behalf of the Board of Directors
Varenia Constructions Limited
Sd/- Sd/-

(Kamal Lunawath) (Abhishek Chandak)
Director Director

Date: 01.09.2007

Place: Chennai



AUDITOR'S REPORT

To

The Members of Varenva Constructions Limited.

1. We have audited the attached balance sheet of M/s Varenva Constructions Limited ("the Company") as at 31st March 2007, the profit and loss account of the Company for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 ("the Order"), as amended by the Companies (Auditor's Report) (Amendment) Order 2004, issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments above, we report that:
 - i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - ii) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - iii) The balance sheet and profit and loss account dealt with by this report are in agreement with the books of account;
 - iv) In our opinion, the balance sheet, and profit and loss account dealt with by this report comply with the accounting standards referred to in sub-

section (3C) of section 211 of the Companies Act, 1956;

- v) On the basis of written representations received from the directors, as on 31st March 2007, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2007 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
- vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (a) In the case of the balance sheet, of the state of affairs of the Company as at 31st March 2007; and
 - (b) In the case of the profit and loss account, of the loss of the Company for the year ended 31st March 2007.

For B.P. Jain & Co.

Chartered Accountants

Sd/-

Devendra Kumar Bhandari

Partner

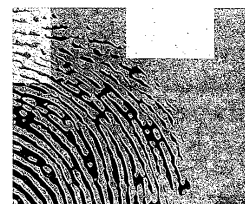
Place: Chennai

Date: 24/08/2007

Membership No.: 208862

ANNEXURE ON THE MATTERS SPECIFIED IN PARAGRAPHS 4 AND 5 OF THE COMPANIES (AUDITORS REPORT) ORDER, 2003 ISSUED BY THE CENTRAL GOVERNMENT OF INDIA IN TERMS OF SUB-SECTION (4A) OF SEC 227 OF THE COMPANIES ACT, 1956.

Since the Paid-up Capital and Reserves not exceeding Fifty lakhs rupees, Loan Outstanding is not exceeding 25 lakhs rupees, Turnover of the company is not exceeding Five crores rupees, the annexure as stated is NIL.



VARENYA CONSTRUCTIONS LTD
BALANCE SHEET AS ON 31.3.2007

| PARTICULARS | SCHEDULE | AMOUNT | |
|---------------------------------|----------|-----------|------------------|
| | | Rs. | Rs. |
| I SOURCES OF FUNDS | | | |
| (1) SHARE HOLDERS FUNDS | | | |
| (A) SHARE CAPITAL | I | 500000.00 | |
| (B) RESERVES & SURPLUS | | - | 500000.00 |
| (2) SECURED LOAN | | | |
| TERM LOAN | | | - |
| (3) UNSECURED LOAN | II | 10000.00 | 10000.00 |
| | | | 510000.00 |
| II APPLICATION OF FUNDS | | | |
| (1) FIXED ASSETS | | | - |
| (2) INVESTMENTS | | | - |
| (3) NET CURRENT ASSETS | III | | |
| CURRENT ASSETS | | 465800.00 | |
| LESS: CURRENT LIABILITIES | | 16854.00 | 448946.00 |
| (4) MISCELLANEOUS EXPENDITURE | | | |
| (To The extent not written off) | | | 34000.00 |
| (5) PROFIT & LOSS A/C | | | 27054.00 |
| | | | 510000.00 |

For Varenva Constructions Ltd

Sd/-

Kamal Lunawath

Director

Date: 24.08.2007

Place: Chennai

Sd/-

Abhishek Chandak

Director

For B.P. Jain & Co.,

Chartered Accountants

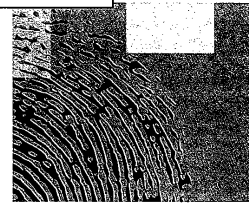
Sd/-

Devendra Kumar Bhandari

Partner

VARENYA CONSTRUCTIONS LTD
PROFIT & LOSS A/C FOR THE PERIOD 26.09.2006 TO 31.03.2007

| PARTICULARS | AMOUNT |
|---|---|
| INCOME | Rs. |
| BY NET LOSS | 27054.00 |
| | 27054.00 |
| EXPENDITURE | |
| TO AUDIT FEES | 16854.00 |
| TO BANK CHARGES | 150.00 |
| TO FILING FEES | 1050.00 |
| TO PRINTING & STATIONERY | 500.00 |
| TO PRELIMINARY EXPENSES W/OFF | 8500.00 |
| | 27054.00 |
| For Varenva Constructions Ltd Sd/- Kamal Lunawath Director Date: 24.08.2007 Place: Chennai | For B.P. Jain & Co., Chartered Accountants Sd/- Devendra Kumar Bhandari Partner |



VARENIA CONSTRUCTIONS LTD
SCHEDULE ATTACHED AND FORMING PART OF THE BALANCE SHEET

| | | | |
|---|-----------|-----------|-----------|
| SCHEDULE - I | | | |
| SHARE CAPITAL | | | |
| AUTHORISED CAPITAL | | | 500000.00 |
| PAID UP CAPITAL | | | 500000.00 |
| (50,000 equity shares of Rs. 10/- each fully paid up) | | | |
| SCHEDULE - II | | | |
| UNSECURED LOANS | | | |
| Loan from Directors | | 10000.00 | 10000.00 |
| SCHEDULE - III | | | |
| NET CURRENT ASSETS | | | |
| (a) CURRENT ASSETS | | | |
| i) CASH IN HAND | 3450.00 | | |
| ii) BANK ACCOUNTS | | | |
| Scheduled Banks | 4850.00 | | |
| iii) LOANS & ADVANCES | | | |
| Advance for Property | 457500.00 | 465800.00 | |
| LESS: (b) CURRENT LIABILITIES | | | |
| Sundry Creditors | 16854.00 | | |
| | | 16854.00 | 448946.00 |

VARENYA CONSTRUCTIONS LTD
CASH FLOW STATEMENT FOR THE YEAR ENDED 31.03.2007

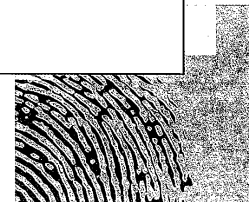
| | |
|---|----------------|
| A. CASH FLOW FROM OPERATING ACTIVITIES | RS. |
| Net Profit/Loss Before Tax and Extraordinary Items | -27054.00 |
| Add: Adjustment for: | |
| Miscellaneous Expenditure Written off | |
| Interest and Finance Charges | 8500.00 |
| Operating Profit Before Working Capital Changes | -18554.00 |
| Add: Adjustments for: | |
| Preliminary Expenses | -42500.00 |
| Advance for Purchase of Property | -457500.00 |
| Increase in Trade Payables | 16854.00 |
| Net Cash From Operations | -501700.00 |
| B. CASH FLOW FROM INVESTMENT ACTIVITIES | NIL |
| C. CASH FLOW FROM FINANCING ACTIVITIES | |
| Proceeds from Borrowings | 10000.00 |
| Proceeds from Issue of shares | 500000.00 |
| Net Cash From Financing Activities | 510000.00 |
| NET INCREASE IN CASH AND CASH EQUIVALENTS(A+B+C) | 8300.00 |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR | NIL |
| CASH AND CASH EQUIVALENTS AT THE CLOSE OF THE YEAR | 8300.00 |

As per our report of even date
for B.P. Jain & Co.
Chartered Accountants
Sd/-
Devendra Kumar Bhandari
Partner

for and on behalf of board
for **Varenya Constructiohs Ltd**
Sd/-
Kamal Lunawath
Director

Sd/-
Abhishek Chandak
Director

Place : Chennai
Date : 24.08.2007





TRANSPARENT HEIGHTS REAL ESTATE LIMITED

Regd Office: 271, Poonamallee High Road, Ankur Manor, 1st Floor,
Off Mc Nichols Road, Kilpauk, Chennai- 600010

PARTICULARS OF EMPLOYEES UNDER SECTION 217(2A)

The Company has no employee of the category mentioned in sub-section (2A) of Section 217 of the Companies Act 1956.

DIRECTORS' REPORT

Your Directors take pleasure in presenting the 1st Annual Report to the Shareholders together with the Audited Accounts for the period ended 31st March, 2007.

FINANCIAL

For the financial year end 31.03.2007, your Company has incurred a net loss of Rs. 14,38,833/-.

DIVIDEND

In the absence of any profits, your Directors have not recommended any dividend for the period ended 31.03.2007.

DIRECTORS

There is no change in the Directorship during the period. Mr. Kamal Lunawath, Mr. Vimal Lunawath and Mr. Abhishek Chandak are the First Directors of the Company.

STATUTORY AUDITORS

M/s. B.P Jain & Co., Chartered Accountants, retire at the conclusion of 1st Annual General Meeting and being eligible, will be reappointed as Statutory Auditors to hold office from the conclusion of the 1st Annual General Meeting till the conclusion of next Annual General Meeting.

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

There were no particulars to be furnished in this Report as required under Section 217(1)(e) of the Companies Act, 1956 relating to conservation of energy and technology absorption. There were no earnings in foreign currency during the year and also there were no expenditure in foreign currency.

DIRECTORS RESPONSIBILITY STATEMENT

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

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

For and on behalf of the Board of Directors
Transparent Heights Real Estate Limited

| | |
|------------------|------------------|
| Sd/- | Sd/- |
| (Kamal Lunawath) | (Vimal Lunawath) |
| Director | Director |

Date: 01.09.2007

Place: Chennai



AUDITOR'S REPORT

To

The Members of Transperent Heights Real Estate Limited.

We have audited the attached balance sheet of M/s Transperent Heights Real Estate Limited ("the Company") as at 31st March 2007, the profit and loss account of the Company for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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.

As required by the Companies (Auditor's Report) Order, 2003 ("the Order"), as amended by the Companies (Auditor's Report) (Amendment) Order 2004, issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

Further to our comments in the Annexure referred to above, we report that:

- a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
- b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;

- c) The balance sheet and profit and loss account dealt with by this report are in agreement with the books of account;
- d) In our opinion, the balance sheet, and profit and loss account dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
- e) In Our opinion, the Cess is not payable under section 44 IA Since the company does not have any profit during the year.

On the basis of written representations received from the directors, as on 31st March 2007, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2007 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;

In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (i) in the case of Balance Sheet, of the state of affairs of the Company as at 31st March 2007; and
- (ii) in the case of Profit and Loss account, of the profit of the company for the year ended 31st March 2007.

For B.P. Jain & Co.

Chartered Accountants

Sd/-

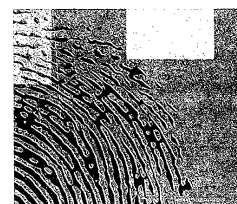
Devendra Kumar Bhandari

Partner

Membership No.: 208862

Place: Chennai

Date: 24.08.2007





Annexure

Re: M/S TRANSPERENT HEIGHTS REAL ESTATE LIMITED

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

- (i) (a) The Company has no fixed assets hence maintenance of proper record including quantitative details and situations of fixed assets is not applicable.
- (b) The company has no fixed assets hence the question of verifying the fixed assets by the management at reasonable interval does not arise.
- (c) During the year, the Company has not disposed off any part of the fixed assets, as such there is no affect on the going concern status of the company.
- (ii) (a) The inventory has not been verified during the year by the management, since the company has no inventory.
- (b) Since the company has no inventory the procedures of physical verification of Inventory followed by the management at reasonable interval is not required.
- (c) The Company has no inventory hence the question of maintenance of proper records of inventory is not possible.
- (iii) (a) The Company has not granted any loan or advance to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.
- (b) Since the company has not granted any loans, the rate of interest and other terms and conditions are not applicable.
- (c) Since the company has not granted any loans, the receipt of the principal amount and interest are not applicable.
- (d) Since the company has not granted any loans, the question of recovery of Principal amount and interest are not applicable.
- (e) The company has taken unsecured loans from

companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. No of Parties – 1 and the amount is Rs.9,07,22,218/-.

- (f) In our opinion, the rates of interest and other terms and conditions of loans taken are not, prima facie, prejudicial to the interest of the company.
- (g) The company is regular in repaying the principal amount as stipulated and the loans does not carry any interest.
- (iv) In our opinion and according to the information and explanations given to us, the company does not have inventory and fixed assets, hence clause 4 (iv) of the order is not applicable.
- (v) (a) In our opinion and according to the information and explanations given by the management, contracts and arrangements referred to in section 301 of the Companies Act, 1956 have been entered in the register required to be maintained under that section.
- (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.
- (vi) The Company has not accepted any deposits from the public and consequently the directives issued by the Reserve Bank of India and provisions of the Companies Act, 1956 and rules framed there under are not applicable to the Company.
- (vii) In our opinion, the Company has an internal audit system commensurate with size and nature of its business.
- (viii) The Central Government has not prescribed the maintenance of cost records by the Company under section 209(1)(d) of the Companies Act, 1956.
- (ix) (a) According to the information and explanations given to us and on the basis of our examination of

books of account, the Company is regular in depositing undisputed statutory dues including, Provident fund, Investor Education and protection fund, Income Tax, Wealth Tax, Service Tax, Cess, Sales tax, VAT, Excise duty and any other material statutory dues during the year with the appropriate authorities.

- (b) The company has no disputed tax liability, hence clause 4 (ix) of the order is not applicable.
- (x) The company has been registered for a period of less than five years. The Company has accumulated losses at end of the financial year. The company has not incurred cash losses in the financial year. The company was Incorporated in September 2006, hence the question of losses in the Immediately preceding financial year does not arise.
- (xi) The Company has not defaulted in repayment of dues to a financial institution, Bank or debenture holders.
- (xii) The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Accordingly, clause 4(xii) of the Order is not applicable.
- (xiii) In our opinion and according to the information and explanations given to us, the company is not a chit fund / nidhi / mutual benefit fund / society. Accordingly, clause 4(xiii) of the Order is not applicable.
- (xiv) In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, clause 4(xiii) of the order is not applicable.
- (xv) In our opinion, and according to information and explanations given to us, the Company has not given guarantees for loans taken by others from banks or financial institutions.
- (xvi) According to the information and explanations given to us and on the basis of examination of books of

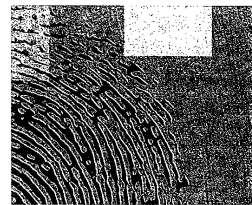
accounts. The company has applied term loans for the purpose for which the loans were obtained.

- (xvii) Since the company has no investments. Clause 4 (xvii) of the order is not applicable.
- (xviii) According to the information and explanations given to us the Company has not made any preferential allotment of shares to the parties and companies covered in the register maintained under section 301 of the Companies Act, 1956; accordingly, clause 4(xviii) of the Order is not applicable.
- (xix) The company has not issued any debentures during the year hence question of having security or registering a charge with the Registrar of companies does not arise during the year.
- (xx) The company has not raised the public issue during the year; accordingly, clause 4(xx) of the Order is not applicable to the Company.
- (xxi) According to information and explanations given to us, no fraud on or by the company has been noticed or reported during the course of our audit.

For B.P. Jain & Co.
Chartered Accountants

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

Place: Chennai
Date : 24.08.2007



TRANSPARENT HEIGHTS REAL ESTATE LTD
BALANCE SHEET AS ON 31.3.2007

| PARTICULARS | SCHEDULE | AMOUNT | |
|---|----------|--------------|--------------|
| | | Rs. | Rs. |
| I SOURCES OF FUNDS | | | |
| (1) SHARE HOLDERS FUNDS | | | |
| (A) SHARE CAPITAL | I | 500000.00 | |
| (B) RESERVES & SURPLUS | | - | 500000.00 |
| (2) SECURED LOAN | | | |
| IOB TERM LOAN | II | | 39600000.00 |
| (3) UNSECURED LOAN | | | |
| INTER-CORPORATE DEPOSITS | III | | 90722218.00 |
| | | | 130822218.00 |
| II APPLICATION OF FUNDS | | | |
| (1) FIXED ASSETS | | | - |
| (2) INVESTMENTS | | | - |
| (3) NET CURRENT ASSETS | IV | | |
| CURRENT ASSETS | | 129551336.00 | |
| LESS:CURRENT LIABILITIES | | 183951.00 | 129367385.00 |
| (4) MISCELLANEOUS EXPENDITURE (To The extent not written off) | | | 16000.00 |
| (5) PROFIT & LOSS A/C | | | 1438833.00 |
| | | | 130822218.00 |

For Transparent Heights Real Estate Ltd

Sd/-

Kamal Lunawath

Director

Date: 24.08.2007

Place: Chennai

Sd/-

Vimal Lunawath

Director

For B.P. Jain & Co.,

Chartered Accountants

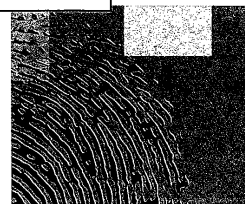
Sd/-

Devendra Kumar Bhandari

Partner



| TRANSPARENT HEIGHTS REAL ESTATE LTD PROFIT & LOSS A/C FOR THE PERIOD 28.09.2006 TO 31.03.2007 | |
|---|---|
| PARTICULARS | AMOUNT |
| INCOME | Rs. |
| BY WORK IN PROGRESS | 90845059.00 |
| BY NET LOSS | 1438833.00 |
| | 92283892.00 |
| EXPENDITURE | |
| TO ADMINISTRATIVE EXPENSES | 1438833.00 |
| TO OTHER PROJECT EXPENSES | 144082.00 |
| TO LAND COST | 90700977.00 |
| | 92283892.00 |
| For Transperent Heights Real Estate Ltd Sd/- Kamal Lunawath Director Date: 24.08.2007 Place: Chennai | For B.P. Jain & Co., Chartered Accountants Sd/- Devendra Kumar Bhandari Partner |



TRANSPARENT HEIGHTS REAL ESTATE LTD
SCHEDULE ATTACHED AND FORMING PART OF THE BALANCE SHEET

| | Rs. | Rs. |
|---|-------------|--------------|
| SCHEDULE – I | | |
| SHARE CAPITAL | | |
| AUTHORISED | | 500000.00 |
| PAID UP CAPITAL (50000 equity shares of Rs.10/- each fully paidup) | | 500000.00 |
| SCHEDULE – II | | |
| SECURED LOANS | | |
| IOB TERM LOAN | | 39600000.00 |
| SCHEDULE – III | | |
| UNSECURED LOANS | | |
| INTER-CORPORATE DEPOSITS | | 90722218.00 |
| SCHEDULE – IV | | |
| NET CURRENT ASSETS | | |
| (a) CURRENT ASSETS | | |
| i) CASH IN HAND | 29641.00 | |
| ii) BANK ACCOUNTS | 1176636.00 | |
| iii) INVENTORY | | |
| Work In Progress | 90845059.00 | |
| iv) LOANS AND ADVANCES (ASSET) Advance For Property | 37500000.00 | |
| | | 129551336.00 |
| LESS: CURRENT LIABILITIES | | |
| a) OUTSTANDING LIABILITIES | 54185.00 | |
| b) SUNDRY CREDITORS | 129766.00 | |
| | | 183951.00 |

TRANSPERENT HEIGHTS REAL ESTATE LTD
CASH FLOW STATEMENT FOR THE YEAR ENDED 31.03.2007

| | |
|---|----------------------|
| A. CASH FLOW FROM OPERATING ACTIVITIES | RS. |
| Net Profit/Loss Before Tax and Extraordinary Items | -1438833.00 |
| Add: Adjustment for: | |
| Miscellaneous Expenditure Written off | 4000.00 |
| Interest and Finance Charges | 1316291.00 |
| Operating Profit Before Working Capital Changes | <u>-118542.00</u> |
| Add: Adjustments for: | |
| Preliminary Expenses | -20000.00 |
| Advance for Purchase of Property | -128345059.00 |
| Increase in Trade Payables | 183951.00 |
| Net Cash From Operations | <u>-128299650.00</u> |
| B. CASH FLOW FROM INVESTMENT ACTIVITIES | NIL |
| C. CASH FLOW FROM FINANCING ACTIVITIES | |
| Proceeds from Borrowings | 130322218.00 |
| Proceeds from Issue of shares | 500000.00 |
| Interest Paid | <u>-1316291.00</u> |
| Net Cash From Financing Activities | <u>129505927.00</u> |
| NET INCREASE IN CASH AND CASH EQUIVALENTS(A+B+C) | 1206277.00 |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR | NIL |
| CASH AND CASH EQUIVALENTS AT THE CLOSE OF THE YEAR | 1206277.00 |

As per our report of even date
for B.P. Jain & Co.
Chartered Accountants
Sd/-
Devendra Kumar Bhandari
Partner

for and on behalf of board
for **Transperent Heights Real Estate Ltd**
Sd/-
Kamal Lunawath
Director

Sd/-
Vimal Lunawath
Director

Place : Chennai
Date : 24.08.2007





ARIHANT GRIHA LIMITED

Regd Office: 271, Poonamallee High Road, Ankur Manor, 1st Floor,
Off Mc Nichols Road, Kilpauk, Chennai- 600010

DIRECTORS' REPORT

Your Directors take pleasure in presenting the 1st Annual Report to the Shareholders together with the Audited Accounts for the period ended 31st March, 2007.

FINANCIAL

For the financial year end 31.03.2007, your Company has incurred a net loss of Rs.22,671/-.

DIVIDEND

In the absence of any profits, your Directors have not recommended any dividend for the period ended 31.03.2007.

DIRECTORS

There is no change in the Directorship during the period. Mr. Kamal Lunawath, Mr. Vimal Lunawath and Mrs. Preethi Lunawath are the First Directors of the Company.

STATUTORY AUDITORS

M/s. B.P Jain & Co., Chartered Accountants, retire at the conclusion of 1st Annual General Meeting and being eligible, will be reappointed as Statutory Auditors to hold office from the conclusion of the 1st Annual General Meeting till the conclusion of next Annual General Meeting.

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

There were no particulars to be furnished in this Report as required under Section 217(1)(e) of the Companies Act, 1956 relating to conservation of energy and technology absorption. There were no earnings in foreign currency during the year and also there were no expenditure in foreign currency.

PARTICULARS OF EMPLOYEES UNDER SECTION 217(2A)

The Company has no employee of the category mentioned 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 have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of affairs of the company at the end of the financial year and of the profit or loss of the company for that period.
- iii. The Directors have taken 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 annual accounts have been prepared on going concern basis.

For and on behalf of the Board of Directors

ARIHANT GRIHA LIMITED

Sd/-

(Kamal Lunawath)

Director

Sd/-

(Vimal Lunawath)

Director

Date: 01.09.2007

Place: Chennai



AUDITOR'S REPORT

To

**The Members of
M/s Arihant Griha Limited.**

We have audited the attached balance sheet of M/s Arihant Griha Limited ("the Company") as at 31st March 2007, the profit and loss account of the Company for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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.

As required by the Companies (Auditor's Report) Order, 2003 ("the Order"), as amended by the Companies (Auditor's Report) (Amendment) Order 2004, issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

Further to our comments in the Annexure referred to the above, we report that:

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

- b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
- c) The balance sheet and profit and loss account dealt with by this report are in agreement with the books of account;
- d) In our opinion, the balance sheet, and profit and loss account dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
- e) In our opinion, the Cess is not payable under section 441A, since the company does not have any profit during the year.

On the basis of written representations received from the directors, as on 31st March 2007, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2007 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;

In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

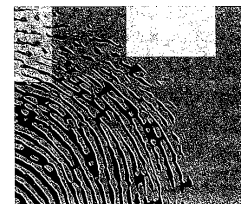
(i) in the case of the balance sheet, of the state of affairs of the Company as at 31st March 2007; and

(ii) in the case of the profit and loss account, the loss of the Company for the year ended 31st March 2007.

For B.P. Jain & Co.
Chartered Accountants
Sd/-
Devendra Kumar Bhandari
Partner
Membership No.: 208862

Place : Chennai

Date : 25.08.2007





Annexure

Re: M/S ARIHANT GRIHA LIMITED

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

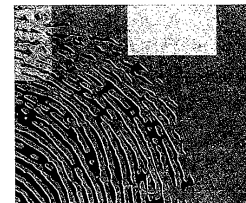
- (i) (a) The Company has no fixed assets hence maintenance of proper record including quantitative details and situation of fixed assets is not applicable.
- (b) The company has no fixed assets hence the question of verifying the fixed assets by the management at reasonable interval does not arise.
- (c) During the year, the Company has not disposed off any part of the fixed assets as such there is no affect on the going concern status of the company.
- (ii) (a) The Company has no inventory. Hence the verification of inventory during the year is not applicable.
- (b) Since the company has no inventory the procedures of physical verification of Inventory followed by the management at reasonable interval is not required.
- (c) The Company has no inventory. Hence the question of maintenance of proper records of inventory is not applicable.
- (iii) (a) The Company has granted advance to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. No. of parties – I and the amount of such advance is Rs.456252/-.
- (b) Since the company has not granted any loans, the rate of interest and other terms and conditions of loans given by the company secured or unsecured, are not applicable.
- (c) Since the company has not granted any loans, the receipt of the principal amount and interest are not applicable.
- (d) The Company has not granted any loans, the question of recovery of principal amount and interest are not applicable.
- (e) The company has taken unsecured loans from companies, firms or other parties covered in register maintained under section 301 of the Companies Act, 1956. No of parties – 2 and the amount is Rs.32200/-
- (f) In our opinion, the rates of interest and other terms and conditions of loans taken are not prima facie, prejudicial to the interest of the company.
- (g) The company is regular in repaying the principal amount as stipulated and the loans does not carry any interest.
- (iv) In our opinion and according to the information and explanations given to us the company does not have inventory and fixed assets, hence clause 4 (iv) of the order is not applicable.
- (v) (a) In our opinion, and according to information and explanations given by the management, contracts and arrangements referred in section 301 of the Companies Act 1956 have been entered in the register required to be main tained under that section.
- (b) In our opinion and according to the informations and explanations given to us, the transactions made in pursuance of such contracts or arrangements have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.
- (vi) The Company has not accepted any deposits from the public and consequently the directives issued by the Reserve Bank of India and provisions of the Companies Act, 1956 and rules framed there under are not applicable to the Company.
- (vii) Since the Authorised and paid up capital of the company is less than Rs.50 Lacs, the company is not necessary to have an Internal Audit System.



- (viii) The Central Government has not prescribed the maintenance of cost records by the company under section 209 (1) (d) of the Companies Act, 1956.
- (ix) (a) According to the information and explanations given to us and on the basis of our examination of books of account, Provident Fund, Investor Education and protection Fund, Income Tax, Wealth Tax, Service Tax, Cess, Sales Tax, TNGST, Excise duty and other material statutory due during the year with the appropriate authorities are not applicable.
- (b) The company has no disputed tax liability, hence clause 4 (ix) of the order is not applicable.
- (x) The company has been registered for a period of less than five years. The company has accumulated losses at the end of financial year. The Company has incurred cash losses in the financial year. The company was incorporated in September 2006, hence the question of losses in the Immediately preceeding financial year does not arise.
- (xi) The Company has not defaulted in repayment of dues to a financial institution Bank or debenture holders.
- (xii) The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Accordingly, clause 4 (xii) of the Order is not applicable.
- (xiii) In our opinion and according to the information and explanations given to us, the company is not a chit fund/nidhi/mutual fund/society. Accordingly, clause 4(xiii) of the Order is not applicable
- (xiv) In our opinion, the Company is not dealing in or trading in shares, securities, Debentures and other investments. Accordingly, clause 4 (xiii) of the order is not applicable.
- (xv) In our opinion, and according to information and explanations given to us, the Company has not given guarantees for loans taken by others from banks or financial Institutions.
- (xvi) According to the information and explanations given to us and on the basis of examination of books of accounts, the company has not taken any term loans from Banks hence question of application of loans for the purpose for which it is borrowed does not arise.
- (xvii) Since the company has no investments, clause 4 (xvii) of the order is not applicable.
- (xviii) According to the information and explanations given to us the Company has not made any preferential allotment of shares to the parties and companies covered in the register maintained under section 301 of the Companies Act, 1956: accordingly clause 4 (xviii) of the Order is not applicable.
- (xix) The Company has not issued any debentures during the year hence question of having security or registering a charge with the Registrar of Companies does not arise during the year.
- (xx) The company has not raised the public issue during the year; accordingly, clause 4 (xx) of the order is not applicable to the company.
- (xxi) According to information and explanations given to us, no fraud on or by the company has been noticed or reported during the course of our audit.

For B.P. Jain & Co.
Chartered Accountants
Sd/-
Devendra Kumar Bhandari
Partner
Membership No.: 208862

Place : Chennai
Date : 25.08.2007

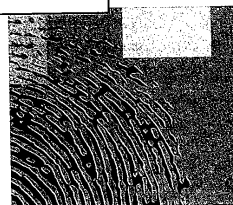


ARIHANT GRIHA LIMITED
BALANCE SHEET AS ON 31.3.2007

| PARTICULARS | SCHEDULE | AMOUNT | | | | | | | | | | |
|--|------------------------------------|---|-----------|---|------------------------------------|---|------------------|--|--|----------------|--|--|
| | | Rs. | Rs. | | | | | | | | | |
| I SOURCES OF FUNDS | | | | | | | | | | | | |
| (1) SHARE HOLDERS FUNDS | | | | | | | | | | | | |
| (A) SHARE CAPITAL | I | | 500000.00 | | | | | | | | | |
| (2) SECURED LOANS | | | - | | | | | | | | | |
| (3) UNSECURED LOANS | II | | 32200.00 | | | | | | | | | |
| | | | 532200.00 | | | | | | | | | |
| II APPLICATION OF FUNDS | | | | | | | | | | | | |
| (1) FIXED ASSETS | | | - | | | | | | | | | |
| (2) INVESTMENTS | | | - | | | | | | | | | |
| (3) NET CURRENT ASSETS | III | | | | | | | | | | | |
| CURRENT ASSETS | | 487483.00 | | | | | | | | | | |
| LESS:CURRENT LIABILITIES | | 11954.00 | 475529.00 | | | | | | | | | |
| (4) MISCELLANEOUS EXPENDITURE (To The extent not written off) | | | 34000.00 | | | | | | | | | |
| (5) PROFIT & LOSS A/C | | | 22671.00 | | | | | | | | | |
| | | | 532200.00 | | | | | | | | | |
| <table><tr><td>For Arihant Griha Ltd Sd/- Kamal Lunawath Director</td><td>Sd/- Vimal Lunawath Director</td><td>For B.P. Jain & Co., Chartered Accountants Sd/- Devendra Kumar Bhandari Partner</td></tr><tr><td>Date: 25.08.2007</td><td></td><td></td></tr><tr><td>Place: Chennai</td><td></td><td></td></tr></table> | | | | For Arihant Griha Ltd Sd/- Kamal Lunawath Director | Sd/- Vimal Lunawath Director | For B.P. Jain & Co., Chartered Accountants Sd/- Devendra Kumar Bhandari Partner | Date: 25.08.2007 | | | Place: Chennai | | |
| For Arihant Griha Ltd Sd/- Kamal Lunawath Director | Sd/- Vimal Lunawath Director | For B.P. Jain & Co., Chartered Accountants Sd/- Devendra Kumar Bhandari Partner | | | | | | | | | | |
| Date: 25.08.2007 | | | | | | | | | | | | |
| Place: Chennai | | | | | | | | | | | | |

ARIHANT GRIHA LIMITED
PROFIT & LOSS A/C FOR THE PERIOD 25.09.2006 TO 31.03.2007

| PARTICULARS | AMOUNT |
|----------------------------|---|
| | Rs. |
| EXPENDITURE | |
| TO ADMINISTRATIVE EXPENSES | 22671.00 |
| | 22671.00 |
| INCOME | |
| BY NET LOSS | 22671.00 |
| | 22671.00 |
| | |
| For Arihant Griha Ltd | For B.P. Jain & Co., Chartered Accountants |
| Sd/- | Sd/- |
| Kamal Lunawath | Vimal Lunawath |
| Director | Director |
| Date: 25.08.2007 | Devendra Kumar Bhandari |
| Place: Chennai | Partner |



ARIHANT GRIHA LIMITED
SCHEDULE ATTACHED AND FORMING PART OF THE BALANCE SHEET

| | Rs. | Rs. | Rs. |
|--|-----------|-----------|-----------|
| SCHEDULE – I | | | |
| CAPITAL ACCOUNT | | | |
| SHARE CAPITAL | | | |
| AUTHORISED SHARE CAPITAL | 500000.00 | 500000.00 | |
| PAIDUP CAPITAL (50000 equity shares of Rs.10/- each fully paidup) | 500000.00 | 500000.00 | |
| SCHEDULE – II | | | |
| UNSECURED LOANS | | 32200.00 | |
| SCHEDULE – III | | | |
| NET CURRENT ASSETS | | | |
| (a) CURRENT ASSETS | | | |
| i) CASH IN HAND | | 3450.00 | |
| ii) BANK ACCOUNTS | | 27781.00 | |
| iii) INVENTORY | | 0.00 | |
| iv) LOANS AND ADVANCES (ASSET) | | 456252.00 | |
| v) SUNDRY DEBTORS | | 0.00 | |
| | | <hr/> | 487483.00 |
| LESS: CURRENT LIABILITIES | | | |
| i) ADVANCE FROM CUSTOMERS | | 0.00 | |
| ii) SUNDRY CREDITORS | | 11954.00 | |
| | | <hr/> | 11954.00 |

ARIHANT GRIHA LIMITED
CASH FLOW STATEMENT FOR THE YEAR ENDED 31.03.2007

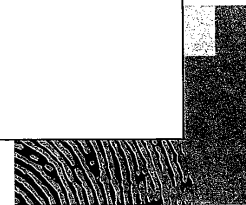
| | |
|---|--------------|
| A. CASH FLOW FROM OPERATING ACTIVITIES | RS. |
| Net Profit/Loss Before Tax and Extraordinary Items | -22671.00 |
| Add: Adjustment for: | |
| Miscellaneous Expenditure Writtenoff | 8500.00 |
| Operating Profit Before Working Capital Changes | -14171.00 |
| Add: Adjustments for: | |
| Preliminary Expenses | -42500.00 |
| Advance for purchase of property | -456252.00 |
| Increase in Trade Payables | 11954.00 |
| Net Cash From Operations | -500969.00 |
| B. CASH FLOW FROM INVESTMENT ACTIVITIES | NIL |
| C. CASH FLOW FROM FINANCING ACTIVITIES | |
| Proceeds from Borrowings | 32200.00 |
| Proceeds from Issue of share capital | 500000.00 |
| Net Cash From Financing Activities | 532200.00 |
| NET INCREASE IN CASH AND CASH EQUIVALENTS(A+B+C) | 31231.00 |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR | NIL |
| CASH AND CASH EQUIVALENTS AT THE CLOSE OF THE YEAR | 31231.00 |

As per our report of even date
for B.P. Jain & Co.
Chartered Accountants
Sd/-
Devendra Kumar Bhandari
Partner

for and on behalf of board
for **Arihant Griha Ltd**
Sd/-
Kamal Lunawath
Director

Sd/-
Vimal Lunawath
Director

Place : Chennai
Date : 25.08.2007





VAIKUNT HOUSING LIMITED

Regd Office: 3, Ganapathy Colony, 3rd Street, Off. Cenotaph Road,
Teynampet, Chennai- 600018

PARTICULARS OF EMPLOYEES UNDER SECTION 217(2A)

The Company has no employee of the category mentioned in sub-section (2A) of Section 217 of the Companies Act 1956.

DIRECTORS' REPORT

Your Directors take pleasure in presenting the 2nd Annual Report to the Shareholders together with the Audited Accounts for the period ended 31st July, 2007.

FINANCIAL

For the financial year end 31.07.2007, your Company has incurred a net loss of Rs. 13,73,075.50

DIVIDEND

In the absence of any profits, your Directors have not recommended any dividend for the period ended 31.07.2007.

DIRECTORS

There is no change in the Directorship during the period. First Directors Mr. Kamal Lunawath, Mr. Vimal Lunawath and Mrs. Sushma Chandak continued to be Directors of the Company.

STATUTORY AUDITORS

M/s. B.P Jain & Co., Chartered Accountants, retire at the conclusion of 1st Annual General Meeting and being eligible, will be reappointed as Statutory Auditors to hold office from the conclusion of the 1st Annual General Meeting till the conclusion of next Annual General Meeting.

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

There were no particulars to be furnished in this Report as required under Section 217(1)(e) of the Companies Act, 1956 relating to conservation of energy and technology absorption. There were no earnings in foreign currency during the year and also there were no expenditure in foreign currency.

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:

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

For and on behalf of the Board of Directors

Vaikunt Housing Limited

Sd/-

(Vimal Lunawath) (Kamal Lunawath)

Managing Director Director

Date: 18.12.2007

Place: Chennai

AUDITOR'S REPORT

To

The Members of Vaikunt Housing Limited.

1. We have audited the attached balance sheet of M/s Vaikunt Housing Limited ("the Company") as at 31st July 2007, and also the annexed profit and loss account of the Company for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 ("the Order"), as amended by the Companies (Auditor's Report) (Amendment) Order 2004, issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments above, we report that:
 - i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - ii) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - iii) The balance sheet and profit and loss account dealt with by this report are in agreement with the books of account;
 - iv) In our opinion, the balance sheet, and profit and loss account dealt with by this report comply with the accounting standards referred to in sub-section

(3C) of section 211 of the Companies Act, 1956 except AS 7, AS 15, and AS-22.

- v) On the basis of written representations received from the directors, as on 31st July 2007, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st July 2007 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
- vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (a) In the case of the balance sheet, of the state of affairs of the Company as at 31st July 2007; and
 - (b) In the case of the profit and loss account, of the loss of the Company for the year ended 31st July 2007.

For B.P.Jain & Co.

Chartered Accountants

Devendra Kumar Bhandari

Place: Chennai

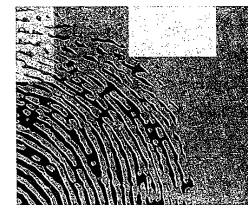
Partner

Date: 15.12.2007

Membership No.: 208862

ANNEXURE ON THE MATTERS SPECIFIED IN PARAGRAPHS 4 AND 5 OF THE COMPANIES (AUDITORS REPORT) ORDER, 2003 ISSUED BY THE CENTRAL GOVERNMENT OF INDIA IN TERMS OF SUB-SECTION (4A) OF SEC 227 OF THE COMPANIES ACT, 1956.

Since the Paid-up Capital and Reserves not exceeding Fifty lakhs rupees, Loan Outstanding is not exceeding 25 lakhs rupees, Turnover of the company is not exceeding Five crores rupees, the annexure as stated is NIL.

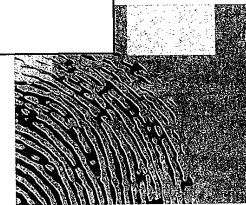


VAIKUNT HOUSING LIMITED
BALANCE SHEET AS AT 31st JULY 2007

| | SCHEDULE | AMOUNT AS ON 31.07.2007 | AMOUNT AS ON 31.07.2006 | | | |
|---|--|---|----------------------------|--|--|---|
| I SOURCES OF FUNDS | | Rs. | Rs. | | | |
| (1) SHARE HOLDER'S FUNDS | | | | | | |
| (A) CAPITAL | I | 500000.00 | 500000.00 | | | |
| (B) RESERVES & SURPLUS | II | 0.00 | 551285.00 | | | |
| | | <u>500000.00</u> | <u>1051285.00</u> | | | |
| (2) LOAN FUNDS | | | | | | |
| (A) SECURED LOANS | | 0.00 | 0.00 | | | |
| (B) UNSECURED LOANS | III | 28938836.00 | 6528527.00 | | | |
| | | <u>29438836.00</u> | <u>7579812.00</u> | | | |
| TOTAL | | | | | | |
| II APPLICATION OF FUNDS | | | | | | |
| (1) FIXED ASSETS | | | | | | |
| a) Gross Block | | 0.00 | 0.00 | | | |
| Less: Depreciation | | 0.00 | 0.00 | | | |
| Net Block | | 0.00 | 0.00 | | | |
| (2) INVESTMENTS | | 0.00 | 0.00 | | | |
| (3) CURRENT ASSETS, LOANS & ADVANCES | | | | | | |
| (i) CURRENT ASSETS | | | | | | |
| a) Inventories | IV | 16655077.33 | 0.00 | | | |
| b) Sundry Debtors | V | 976739.26 | 976739.26 | | | |
| c) Cash & Bank Balance | VI | 111565.04 | 422840.54 | | | |
| (ii) Loans & Advances | VII | 19432668.73 | 6370000.00 | | | |
| | | <u>37176050.36</u> | <u>7769579.80</u> | | | |
| LESS: CURRENT LIABILITIES AND PROVISIONS | | | | | | |
| a) Liabilities | VIII | 8279289.86 | 48880.00 | | | |
| b) Provisions | | 279715.00 | 279715.00 | | | |
| | | <u>8559004.86</u> | <u>328595.00</u> | | | |
| (4) MISCELLANEOUS EXPENSES TO THE EXTENT NOT WRITTEN OFF | | 0.00 | 138827.20 | | | |
| PROFIT AND LOSS ACCOUNT | | 821790.50 | | | | |
| TOTAL | | <u>29438836.00</u> | <u>7579812.00</u> | | | |
| <table><tr><td>As per our attached report of even date for B.P. Jain & Co. Chartered accountants Sd/- Devendra Kumar Bhandari Partner Chennai 15.12.2007</td><td>for and on behalf of board for Vaikunt Housing Limited Sd/- Vimal Lunawath Managing Director</td><td>Sd/- Kamal Lunawath Director</td></tr></table> | | | | As per our attached report of even date for B.P. Jain & Co. Chartered accountants Sd/- Devendra Kumar Bhandari Partner Chennai 15.12.2007 | for and on behalf of board for Vaikunt Housing Limited Sd/- Vimal Lunawath Managing Director | Sd/- Kamal Lunawath Director |
| As per our attached report of even date for B.P. Jain & Co. Chartered accountants Sd/- Devendra Kumar Bhandari Partner Chennai 15.12.2007 | for and on behalf of board for Vaikunt Housing Limited Sd/- Vimal Lunawath Managing Director | Sd/- Kamal Lunawath Director | | | | |

VAIKUNT HOUSING LIMITED
PROFIT & LOSS A/C FOR THE PERIOD 01.08.2006 TO 31.07.2007

| PARTICULARS | SCHEDULE NO. | AMOUNT AS ON 31.07.2007 | AMOUNT AS ON 31.07.2006 |
|--|--------------|----------------------------|----------------------------|
| | | Rs. | Rs. |
| I. INCOME | | | |
| (A) INCOME FROM OPERATIONS | IX | 16655077.33 | 976739.26 |
| (B) OTHER INCOME | | 0.00 | 10590.14 |
| TOTAL | | <u>16655077.33</u> | <u>987329.40</u> |
| II. EXPENDITURE | | | |
| (A) CONSTRUCTION EXPENSES | X | 16655077.33 | 0.00 |
| (B) ADMINISTRATION AND ESTABLISHMENT EXPENSES | XI | 1367523.50 | 156329.40 |
| (C) INTEREST AND FINANCE CHARGES | XII | 5552.00 | 0.00 |
| (D) DEPRECIATION | | 0.00 | 0.00 |
| | | <u>18028152.83</u> | <u>156329.40</u> |
| PROFIT AFTER DEPRECIATION | | | |
| PROVISION FOR TAXATION | | -1373075.50 | 831000.00 |
| PROFIT AFTER TAX | | 0.00 | 279715.00 |
| PROPOSED DIVIDEND | | | |
| Transferred to General Reserve | | -1373075.50 | 551285.00 |
| BALANCE CARRIED FORWARD | | 0.00 | 0.00 |
| TO BALANCE SHEET | | 0.00 | 0.00 |
| | | <u>-1373075.50</u> | <u>551285.00</u> |
| <p>As per our attached report of even date for B.P. Jain & Co. Chartered accountants Sd/- Devendra Kumar Bhandari Partner Chennai 15.12.2007</p> <p>for and on behalf of board for Vaikunt Housing Limited Sd/- Vimal Lunawath Managing Director</p> <p>Sd/- Kamal Lunawath Director</p> | | | |



VAIKUNT HOUSING LIMITED
SCHEDULE ATTACHED AND FORMING PART OF THE BALANCE SHEET

| | Rs. | Rs. |
|--|-------------|------------|
| SCHEDULE - I | | |
| SHARE CAPITAL | | |
| AUTHORISED CAPITAL | 500000.00 | 500000.00 |
| ISSUED, SUBSCRIBED & PAID UP | 500000.00 | 500000.00 |
| 500000 EQUITY SHARES OF RS.1/- EACH | 500000.00 | 500000.00 |
| SCHEDULE - II | | |
| RESERVES & SURPLUS BALANCE AS PER LAST BALANCE SHEET | | |
| GENERAL RESERVE | 0.00 | 0.00 |
| ADD : ADDITIONS DURING THE YEAR | 0.00 | 0.00 |
| | 0.00 | 0.00 |
| PROFIT & LOSS ACCOUNT BALANCE | 0.00 | 0.00 |
| ADD : ADDITIONS DURING THE YEAR | 0.00 | 551285.00 |
| | 0.00 | 551285.00 |
| SCHEDULE - III | | |
| UNSECURED LOANS | | |
| INTERCORPORATE DEPOSITS | 28738836.00 | 6478527.00 |
| UNSECURED LOANS OTHERS | 200000.00 | 50000.00 |
| | 28938836.00 | 6528527.00 |
| SCHEDULE IV | | |
| INVENTORIES & WORK IN PROGRESS | | |
| WORK IN PROGRESS (AT COST, TAKEN VALUED AND CERTIFIED BY THE MANAGEMENT) | 16655077.33 | 0.00 |
| | 16655077.33 | 0.00 |
| SCHEDULE V | | |
| SUNDRY DEBTORS | | |
| (UNSECURED & CONSIDERED GOOD) | | |
| DEBTS OUTSTANDING FOR A PERIOD | | |
| MORE THAN SIX MONTHS | 976739.26 | 0.00 |
| LESS THAN SIX MONTHS | 0.00 | 976739.26 |
| | 976739.26 | 976739.26 |
| SCHEDULE VI | | |
| CASH & BANK BALANCE | | |
| (A) CASH BALANCE ON HAND | 3000.00 | 2000.00 |
| (B) BALANCE WITH SCHEDULED BANKS | 108565.04 | 420840.54 |
| | 111565.04 | 422840.54 |
| SCHEDULE VII | | |
| LOANS & ADVANCES | | |
| UNSECURED CONSIDERED GOOD TO BE RECEIVED IN CASH OR KIND | | |
| (A) ADVANCE FOR EXP./CONTRACTORS | 18932668.73 | 6000000.00 |
| (B) SHARE APPLICATION MONEY | 0.00 | 370000.00 |
| (C) ADVANCE TAX | 500000.00 | 0.00 |
| | 19432668.73 | 6370000.00 |

VAIKUNT HOUSING LIMITED
SCHEDULE ATTACHED AND FORMING PART OF THE BALANCE SHEET

| | Rs. | Rs. |
|--|--------------------|------------------|
| SCHEDULE VIII | | |
| CURRENT LIABILITIES | | |
| (A) ADVANCE FROM PROJECTS & CUSTOMERS | 4599067.00 | 0.00 |
| (B) OUTSTANDING LIABILITIES | 46269.00 | 48880.00 |
| (C) SUNDRY CREDITORS FOR SUPPLIERS | 3633953.86 | 0.00 |
| | <u>8279289.86</u> | <u>48880.00</u> |
| SCHEDULE - IX | | |
| INCOME FROM OPERATIONS | | |
| (A) SALES | 0.00 | 0.00 |
| (B) CLOSING STOCK | 0.00 | 0.00 |
| (C) FINISHED GOODS | 0.00 | 0.00 |
| (D) WORK IN PROGRESS | 16655077.33 | 976739.26 |
| | <u>16655077.33</u> | <u>976739.26</u> |
| SCHEDULE - X | | |
| (A) CONSTRUCTION EXPENSES | | |
| (a) MATERIAL | 16049727.33 | 0.00 |
| (b) LABOUR & SUB CONTRACT EXP. | 0.00 | 0.00 |
| (c) OTHER EXPENSES | 605350.00 | 0.00 |
| | <u>16655077.33</u> | <u>0.00</u> |
| (B) LAND | 0.00 | 0.00 |
| | <u>16655077.33</u> | <u>0.00</u> |
| SCHEDULE - XI | | |
| ADMINISTRATIVE AND ESTABLISHMENT EXPENSES | | |
| A. ADMINISTRATIVE EXPENSES | | |
| BANK CHARGES | 4055.50 | 422.60 |
| FILING, LEGAL AND OTHER FEES | 6830.00 | 4000.00 |
| OTHER PROJECT EXPENSES | 466522.80 | 0.00 |
| PRINTING & STATIONERY | 2063.00 | 0.00 |
| STAFF SALARY | 480100.00 | 117200.00 |
| TELEPHONE & POSTAGE | 69125.00 | 0.00 |
| TRAVELLING, CONVEYANCE & FUEL | 200000.00 | 0.00 |
| | <u>1228696.30</u> | <u>121622.60</u> |
| B. PRE-OPERATIVE EXPENSES | 138827.20 | 34706.80 |
| | <u>1367523.50</u> | <u>156329.40</u> |
| SCHEDULE XII | | |
| INTEREST & FINANCIAL CHARGES | | |
| INTEREST | 5552.00 | 0.00 |
| | <u>5552.00</u> | <u>0.00</u> |

VAIKUNT HOUSING LIMITED
CASH FLOW STATEMENT FOR THE YEAR ENDED 30.09.2007

A. CASH FLOW FROM OPERATING ACTIVITIES

| | |
|--|---------------------|
| Net Profit/Loss Before Tax and Extraordinary Items | RS. -1373075.50 |
| Add: Adjustment for: | |
| Depreciation | 0.00 |
| Miscellaneous Expenditure Writtenoff | 138827.20 |
| Interest and Finance Charges | 5552.00 |
| Operating Profit Before Working Capital Changes | <u>-1228696.30</u> |
| Add: Adjustments for: | |
| Decrease in Trade and Other Receivables | -13062668.73 |
| Increase in Inventories | -16655077.33 |
| Increase in Trade Payables | 8230409.86 |
| Provision for Tax | 0.00 |
| Net Cash From Operations | <u>-22716032.50</u> |

B. CASH FLOW FROM INVESTMENT ACTIVITIES

| | |
|---------------------------------------|------|
| Purchase of Fixed Assets | 0.00 |
| Purchase of Investments | 0.00 |
| Net Cash used in Investing Activities | 0.00 |

C. CASH FLOW FROM FINANCING ACTIVITIES

| | |
|------------------------------------|--------------------|
| Proceeds from Borrowings | 22410309.00 |
| Interest Paid | -5552.00 |
| Net Cash From Financing Activities | <u>22404757.00</u> |

| | |
|--|------------|
| NET INCREASE IN CASH AND CASH EQUIVALENTS(A + B + C) | -311275.50 |
|--|------------|

| | |
|--|-----------|
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR | 422840.54 |
|--|-----------|

| | |
|--|-----------|
| CASH AND CASH EQUIVALENTS AT THE CLOSE OF THE YEAR | 111565.04 |
|--|-----------|

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

Sd/-

Devendra Kumar Bhandari
Partner

Place : Chennai
Date : 15.12.2007

for and on behalf of board
for **Vaikunt Housing Limited**

Sd/-

Vimal Lunawath
Managing Director

Sd/-

Kamal Lunawath
Director

CONSOLIDATED AUDITORS REPORT

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

1. We have examined the attached Consolidated Balance Sheet of Arihant Foundations & Housing Limited and its subsidiaries as at 30th September, 2007 and the Consolidated Profit and Loss account and the Cash Flow Statement of the Company for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We report that, the Consolidated Financial Statements have been prepared by the Company in accordance with the requirements of Accounting Standard (AS) 21, on Consolidated Financial Statements issued by the Institute of Chartered Accountants of India and on the basis of the separate audited financial statements of Arihant Foundations and Housing Limited and its subsidiaries included in the consolidated financial statements.

4. To the best of our information and according to the explanation given to us and on the consideration of the separate audit reports of individual audited financial statements of the Company and its subsidiaries, we are of the opinion that:-
 - a) The Consolidated Balance Sheet gives a true and fair view of the Consolidated State of Affairs of Arihant Foundations & Housing Limited and its subsidiaries as at 30th September 2007;
 - b) the Consolidated Profit and Loss Account gives a true and fair view of the Consolidated results of operations of Arihant Foundations & Housing Limited.
 - c) the Consolidated Cash Flow Statement gives the true and fair view of the Consolidated cash flows of Arihant Foundations and Housing Limited and its subsidiaries for the year then ended.

For B.P. Jain & Co.
Chartered Accountants
Sd/-
Devendra Kumar Bhandari
Partner

Place : Chennai
Date : 24.12.2007



CONSOLIDATED FINANCIAL STATEMENTS
CONSOLIDATED BALANCE SHEET AS AT 30th SEPTEMBER 2007

| | SCHEDULE NO | AMOUNT AS ON 30.09.2007 | | AMOUNT AS ON 30.09.2006 | |
|---|-------------|----------------------------|---------------|----------------------------|---------------|
| | | Rs. | Rs. | Rs. | Rs. |
| I SOURCES OF FUNDS | | | | | |
| (1) SHARE HOLDER'S FUNDS | | | | | |
| (A) SHARE CAPITAL | I | 70000000.00 | | 60000000.00 | |
| (B) RESERVES & SURPLUS | II | 1000032809.28 | | 576447950.90 | |
| (2) LOAN FUNDS | | | 1070032809.28 | | 636447950.90 |
| (A) SECURED LOANS | III | 611009805.59 | | 897266020.12 | |
| (B) UNSECURED LOANS | IV | 541571089.38 | 1152580894.97 | 167456486.28 | 1064722506.40 |
| TOTAL | | | 2222613704.25 | | 1701170457.30 |
| II APPLICATION OF FUNDS | | | | | |
| (1) FIXED ASSETS | | | | | |
| A) GROSS BLOCK | V | 155143072.00 | | 134817730.97 | |
| Less: DEPRECIATION | | 16772013.27 | | 12358029.67 | |
| Net Block | | | 138371058.73 | | 122459701.30 |
| (2) INVESTMENTS | VI | | 67413981.00 | | 195585327.83 |
| (3) CURRENT ASSETS, LOANS & ADVANCES | | | | | |
| (I) CURRENT ASSETS | | | | | |
| A) INVENTORIES | VII | 1153040692.05 | | 680243980.90 | |
| B) SUNDRY DEBTORS | VIII | 544736579.20 | | 794063598.33 | |
| C) CASH & BANK BALANCE | IX | 40782215.14 | | 24001058.55 | |
| (II) LOANS & ADVANCES | X | 916608360.73 | | 296268073.52 | |
| | | 2655167847.12 | | 1794576711.30 | |
| LESS: CURRENT LIABILITIES AND PROVISIONS | | | | | |
| A) CURRENT LIABILITIES | XI | 552463139.33 | | 361783642.57 | |
| B) PROVISIONS | XII | 86062043.27 | | 49795140.56 | |
| | | 638525182.60 | 2016642664.52 | 411578783.13 | 1382997928.17 |
| (4) MISCELLANEOUS EXPENSES TO THE EXTENT NOT WRITTEN OFF | XIII | | 186000.00 | | 127500.00 |
| TOTAL | | | 2222613704.25 | | 1701170457.30 |

As per our attached report of even date
for B.P. Jain & co.
Chartered accountants
Sd/-
Devendra kumar bhandari
Partner
Chennai
24.12.2007

for and on behalf of board
for Arihant Foundations & Housing Limited
Sd/-
Kamal Lunawath
Managing Director

Sd/-
Vimal Lunawath
Wholtime Director

Sd/-
Priti Venkatesan
Company Secretary

| CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDING 30.9.2007 | | | |
|--|----------------|-----------------------------------|-----------------------------------|
| | SCHEDULE NO | AMOUNT AS ON 30.09.2007 RS. | AMOUNT AS ON 30.09.2006 Rs. |
| I. INCOME | | | |
| (A) INCOME FROM OPERATIONS | XIV | 2428675122.67 | 1614650107.15 |
| (B) OTHER INCOME | | 37368713.92 | 14791958.49 |
| TOTAL | | <u>2466043836.59</u> | <u>1629442065.64</u> |
| II. EXPENDITURE | | | |
| (A) CONSTRUCTION EXPENSES | XV | 1965723128.63 | 1301529627.44 |
| (B) ADMINISTRATION AND ESTABLISHMENT EXPENSES | XVI | 153666430.46 | 35760103.01 |
| (C) INTEREST AND FINANCE CHARGES | XVII | 26106720.52 | 47594391.25 |
| (D) DEPRECIATION | | 4413983.60 | 3798862.50 |
| | | <u>2149910263.21</u> | <u>1388682984.20</u> |
| PROFIT AFTER DEPRECIATION | | 316133573.38 | 240759081.44 |
| PROVISION FOR TAXATION | | 36000000.00 | 40000000.00 |
| PROFIT AFTER TAX | | 280133573.38 | 200759081.44 |
| PROPOSED DIVIDEND | | 28000000.00 | 13683000.00 |
| TRANSFERRED TO GENERAL RESERVE | | 28299520.69 | 15056931.11 |
| BALANCE CARRIED FORWARD TO BALANCE SHEET | | 223834052.69 | 172019150.33 |
| <div> <div> As per our attached report of even date for B.P. Jain & co. Chartered accountants Sd/- Devendra kumar bhandari Partner Chennai 24.12.2007 </div> <div> for and on behalf of board for Arihant Foundations & Housing Limited sd/- Kamal Lunawath Managing Director </div> <div> sd/- Vimal Lunawath Wholetime Director </div> <div> sd/- Priti Venkatesan Company Secretary </div> </div> | | | |

| CONSOLIDATED SCHEDULES TO THE BALANCE SHEET | | | | | | | | | | |
|---|--------------------------------|--|--|--------------------------------|--------------------------------|--|--|------------------------------|---------------------|---------------------|
| | AMOUNT AS ON 30.09.2007 | | AMOUNT AS ON 30.09.2006 | | | | | | | |
| | Rs. | Rs. | Rs. | Rs. | | | | | | |
| SCHEDULE - I | | | | | | | | | | |
| SHARE CAPITAL AUTHORISED 10000000 EQUITY SHARES OF RS.10/- EACH | | 100000000.00 | | 70000000.00 | | | | | | |
| ISSUED, SUBSCRIBED & PAID UP 50,00,000 EQUITY SHARES OF RS.10/- EACH FULLY PAID UP | 50000000.00 | | 50000000.00 | | | | | | | |
| 20,00,000 EQUITY SHARES OF RS.10/- EACH FULLY PAID UP ISSUED AT A PREMIUM OF RS. 191/- PER SHARE | 20000000.00 | | 10000000.00 | | | | | | | |
| | | 70000000.00 | | 60000000.00 | | | | | | |
| SCHEDULE - II | | | | | | | | | | |
| RESERVES & SURPLUS | | | | | | | | | | |
| BALANCE AS PER LAST BALANCE SHEET | 27961427.06 | | 12904495.95 | | | | | | | |
| GENERAL RESERVE | 28299520.69 | | 15056931.11 | | | | | | | |
| ADD : ADDITIONS DURING THE YEAR | | 56260947.75 | | 27961427.06 | | | | | | |
| PROFIT & LOSS ACCOUNT BALANCE | 337937808.80 | | 165367373.51 | | | | | | | |
| ADD : ADDITIONS DURING THE YEAR | 223834052.70 | 561771861.53 | 172019150.33 | 337386523.84 | | | | | | |
| SECURITY PREMIUM 20,00,000 EQUITY SHARES OF RS. 191/- PER SHARE | | 382000000.00 | | 191000000.00 | | | | | | |
| | | 1000032809.28 | | 201000000.00 | | | | | | |
| | | | | 576447950.90 | | | | | | |
| SCHEDULE - III | | | | | | | | | | |
| SECURED LOAN | | | | | | | | | | |
| FINANCIAL INSTITUTIONS | 99199507.00 | | 99199507.00 | | | | | | | |
| BANKS | 481309438.59 | | 762851228.12 | | | | | | | |
| INTEREST ACCRUED & DUE (Secured against Mortgage of Property in relevant projects and directors personal guarantee) | 30500860.00 | 611009805.59 | 35215285.00 | 897266020.12 | | | | | | |
| SCHEDULE - IV | | | | | | | | | | |
| UNSECURED LOANS | | | | | | | | | | |
| (A) FIXED DEPOSITS | 15467383.91 | | 37778015.00 | | | | | | | |
| (B) DIRECTORS | 163250.00 | | 8750225.30 | | | | | | | |
| (C) INTERCORPORATE DEPOSITS | 362361524.00 | | 15623050.00 | | | | | | | |
| (D) UNSECURED LOANS - OTHERS | 163578931.47 | 541571089.38 | 105305195.98 | 167456486.28 | | | | | | |
| SCHEDULE - V | | | | | | | | | | |
| FIXED ASSETS | | | | | | | | | | |
| PARTICULARS | GROSS BLOCK | | | | DEPRECIATION | | | | NET BLOCK | |
| | Balance as on 01.10.2006 | Additions during 01.10.2006 to 30.09.2007 | Deletions during 01.10.2006 to 30.09.2007 | Balance as at 30.09.2007 | Balance as on 01.10.2006 | For the period 01.10.2006 to 30.09.2007 | Deletions during 01.10.2006 to 30.09.2007 | Total as on 30.09.2007 | As on 30.09.2006 | As on 30.09.2007 |
| Land | 17931721.00 | 0.00 | 0.00 | 17931721.00 | 0.00 | 0.00 | 0.00 | 0.00 | 17931721.00 | 17931721.00 |
| Buildings | 81956685.00 | 4780282.00 | 0.00 | 86736967.00 | 4522065.42 | 1361938.00 | 0.00 | 5884003.42 | 77434619.58 | 80852963.58 |
| Vehicles | 8284426.00 | 6659818.63 | 0.00 | 14944244.63 | 1570281.51 | 993568.75 | 0.00 | 2563850.26 | 6714144.49 | 12380394.37 |
| Plant & machinery | 14083594.97 | 2400137.00 | 0.00 | 16483731.97 | 3073384.84 | 1043717.54 | 0.00 | 4117102.38 | 11010210.13 | 12366629.59 |
| Furniture & fixtures | 12514048.00 | 5948741.00 | 0.00 | 18462789.00 | 3145041.90 | 995746.31 | 0.00 | 4140788.21 | 9369006.10 | 14322000.79 |
| Books | 47256.00 | 19013.00 | 0.00 | 66269.00 | 47256.00 | 19013.00 | 0.00 | 66269.00 | 0.00 | 0.00 |
| Capital work in progress | | 517349.40 | | 517349.40 | | | | 0.00 | 0.00 | 517349.40 |
| Total | 134817730.97 | 20325341.03 | 0.00 | 155143072.00 | 12358029.67 | 4413983.60 | 0.00 | 16772013.27 | 122459701.30 | 138371058.73 |

CONSOLIDATED SCHEDULES TO THE BALANCE SHEET

| | AMOUNT AS ON 30.09.2007 | | AMOUNT AS ON 30.09.2006 | |
|---|----------------------------|-------------|----------------------------|--------------|
| | Rs. | Rs. | Rs. | Rs. |
| SCHEDULE - VI | | | | |
| INVESTMENTS | | | | |
| LONG TERM INVESTMENTS | | | | |
| NON-QUOTED (FULLY PAID AT COST) | | | | |
| NATIONAL SAVINGS CERTIFICATE | 5000.00 | | 0.00 | |
| TRADE INVESTMENTS | | | | |
| SHARES IN COMPANIES - UNQUOTED | | | | |
| (i) Arihant Unitech Reality Projects Ltd. (500000 Equity Shares of Rs. 10/- each Fully Paid Up Shares) | 5000000.00 | | 5000000.00 | |
| (ii) Arihant Unitech Reality Projects Ltd. (Share application money) | 0.00 | | 171120000.00 | |
| (iii) Escapade Real Estate Pvt. Ltd. (100000 Equity Shares Class A of Rs. 10/- each Fully Paid Up) | 1000000.00 | | | |
| (1000000 Equity Shares Class C of Rs. 10/- each Fully Paid Up) | 10000000.00 | | | |
| (iv) Arihant Indo African Infra Developers & Builders Pvt. Ltd. (4000 Equity Shares of Rs. 10/- each Fully Paid Up Shares) | 40000.00 | | | |
| iv) Arihant Indo African Infra Developers & Builders Pvt. Ltd. (Share application money) | 50285798.00 | | | |
| WHOLLY OWNED SUBSIDIARY COMPANIES | | | | |
| INVESTMENTS IN SUBSIDIARY COMAPANIES | | | | |
| ARIHANT GRIHA LTD. (50000 Equity shares of Rs. 10/- each fully paid) | 0.00 | | 500000.00 | |
| VARENYA CONSTRUCTIONS LTD. (50000 Equity Shares of Rs. 10/- each fully paid) | 0.00 | | 500000.00 | |
| TRANSPARENT HEIGHTS REAL ESTATE LTD. (50000 Equity Shares of Rs. 10/- each fully paid) | 0.00 | | 500000.00 | |
| VAIKUNT HOUSING LTD. (500000 Equity Shares of Rs. 1/- each fully paid) | 0.00 | | 500000.00 | |
| QUOTED (FULLY PAID AT COST) | | | | |
| HAPPY HOMES PROFIN LTD. 44800 equity shares of Rs. 10/- each Fully paid up | 1.00 | | 1.00 | |
| Indotech Transformers Ltd. 1391 equity shares of Rs. 130/- each Fully paid up (Market Value Rs. 718452) | 180830.00 | | 180830.00 | |
| Tata Liquid Fund (14698.836 units @ Marketvalue of Rs.1114.52 per unit) Fully paid up shares | 0.00 | | 16382144.83 | |
| Tata Consultancy Services Ltd. 1800 equity shares of Rs. 1/- each Fully paid up shares (Market Value Rs.1902150) | 902352.00 | | 902352.00 | |
| | | 67413981.00 | | 195585327.83 |
| Aggregate amount of Quoted Investment | 1083183.00 | | 17465327.83 | |
| Un-Quoted Investment | 65413981.00 | | 178120000.00 | |

CONSOLIDATED SCHEDULES TO THE BALANCE SHEET

| | AMOUNT AS ON 30.09.2007 | | AMOUNT AS ON 30.09.2006 | |
|--|----------------------------|---------------|----------------------------|--------------|
| | Rs. | | Rs. | |
| SCHEDULE VII INVENTORIES & WORK IN PROGRESS (At cost taken, valued and certified by the management) | | | | |
| STOCK OF CONSTRUCTION RAW MATERIAL | 1598300.00 | | 901600.00 | |
| FINISHED STOCK | 217474351.18 | | 136412052.18 | |
| WORK IN PROGRESS | 933968040.87 | | 542930328.72 | |
| | | 1153040692.05 | | 680243980.90 |
| SCHEDULE VIII SUNDRY DEBTORS (UNSECURED & CONSIDERED GOOD) DEBTS OUTSTANDING FOR A PERIOD MORE THAN SIX MONTHS LESS THAN SIX MONTHS | 118057018.83 | | 159700603.76 | |
| | 426679560.37 | | 634362994.57 | |
| | | 544736579.20 | | 794063598.33 |
| SCHEDULE IX CASH & BANK BALANCE | | | | |
| (A) CASH BALANCE ON HAND | 1795650.13 | | 314918.00 | |
| (B) BALANCE WITH SCHEDULED BANKS | 27223490.01 | | 15287912.55 | |
| (C) FIXED DEPOSITS WITH SCHEDULED BANK | 11763075.00 | | 8398228.00 | |
| | | 40782215.14 | | 24001058.55 |
| SCHEDULE X LOANS & ADVANCES | | | | |
| UNSECURED CONSIDERED GOOD TO BE RECEIVED IN CASH OR KIND | | | | |
| (A) SECURITY DEPOSITS | 35370397.18 | | 34266380.00 | |
| (B) ADVANCE FOR EXP/CONTRACTORS | 344792158.03 | | 97606905.65 | |
| (C) OTHER DEPOSITS | 217901112.52 | | 154382605.87 | |
| (D) PREPAID EXPENSES | 1000781.00 | | 610770.00 | |
| (E) ADVANCE FOR PURCHASE OF LAND | 72043912.00 | | 2401412.00 | |
| (F) TENDER DEPOSIT | 200000000.00 | | 0.00 | |
| (G) ADVANCE TAX | 45500000.00 | | 7000000.00 | |
| | | 916608360.73 | | 296268073.52 |

| CONSOLIDATED SCHEDULES TO THE BALANCE SHEET | | | | |
|---|----------------------------|---------------|----------------------------|---------------|
| | AMOUNT AS ON 30.09.2007 | | AMOUNT AS ON 30.09.2006 | |
| | Rs. | Rs. | Rs. | Rs. |
| SCHEDULE XI | | | | |
| CURRENT LIABILITIES | | | | |
| (A) ADVANCE FROM CUSTOMERS & PROJECTS | 141717615.72 | | 200638670.28 | |
| (B) BANK OVERDRAFT C.C. A/C | 75416644.08 | | 17316681.15 | |
| (C) OUTSTANDING LIABILITIES | 294289657.77 | | 101445516.38 | |
| (D) RENTAL DEPOSITS | 24507438.00 | | 24507438.00 | |
| (E) SUNDRY CREDITORS FOR SUPPLIERS | 9189408.76 | | 12435961.76 | |
| (F) IEPF | 101621.00 | | 55010.00 | |
| (G) SHARE WARRANT APPLICATION MONEY | 10000.00 | | 10000.00 | |
| EXCESS RECEIVED | 7230754.00 | | 5374365.00 | |
| (H) OTHER LIABILITIES | | 552463139.33 | | 361783642.57 |
| SCHEDULE - XII | | | | |
| PROVISIONS | | | | |
| (A) PROVISION FOR TAXATION | 52022813.73 | | 31808176.73 | |
| (B) PROVISION FOR DIVIDEND | 34039229.54 | 86062043.27 | 17986963.83 | 49795140.56 |
| SCHEDULE - XIII | | | | |
| MISCELLANEOUS EXPENDITURE | | | | |
| (A) PRELIMINARY EXPENSES | 291327.20 | | 50000.39 | |
| (B) DEFERRED REVENUE EXP | 80000.00 | | 121505.46 | |
| | 371327.20 | | 171505.85 | |
| | 185327.20 | 186000.00 | 44005.85 | 127500.00 |
| LESS: WRITTEN OFF | | | | |
| SCHEDULE - XIV | | | | |
| INCOME FROM OPERATION | | | | |
| (A) SALES | 1219572494.62 | | 886971203.25 | |
| (B) RENTAL RECEIPTS | 56061936.00 | | 47434923.00 | |
| (C) CLOSING STOCK | 1598300.00 | | 901600.00 | |
| (D) FINISHED GOODS | 217474351.18 | | 136412052.18 | |
| (E) WORK IN PROGRESS | 933968040.87 | 2428675122.67 | 542930328.72 | 1614650107.15 |
| SCHEDULE - XV | | | | |
| (A) CONSTRUCTION EXPENSES | | | | |
| (a) MATERIAL | 342795312.92 | | 338460791.82 | |
| (b) LABOUR & SUB CONTRACT EXP. | 295944918.32 | | 285866591.75 | |
| (c) OTHER EXPENSES | 1000929967.23 | 639670198.47 | 405265369.13 | 1029592752.70 |
| | | 326052930.16 | | 271936874.74 |
| (B) LAND | | 1965723128.63 | | 1301529627.44 |

CONSOLIDATED SCHEDULES TO THE BALANCE SHEET

| | | | AMOUNT AS ON 30.09.2006 Rs. | |
|--|-------------|---------------------|-----------------------------------|--------------------|
| | | | | |
| SCHEDULE - XVI | | | | |
| ADMINISTRATIVE AND ESTABLISHMENT EXPENSES | | | | |
| A. ADMINISTRATIVE EXPENSES | | | | |
| AUDIT FEES | 378784.00 | | 330600.00 | |
| ADVANCES UNRECOVERABLE WRITTEN OFF | 32975034.00 | | 1400000.00 | |
| ACCOUNTS WRITTEN OFF | 5898160.00 | | -1373.00 | |
| BANK CHARGES | 368761.77 | | 283533.90 | |
| DIRECTORS REMUNERATION | 6172677.85 | | 3699029.40 | |
| DONATION | 1161425.00 | | 945944.00 | |
| ELECTRICITY CHARGES | 335126.00 | | 179563.00 | |
| FILING, LEGAL & OTHER FEES | 6002545.00 | | 7348822.14 | |
| MISCELLANEOUS EXPENSES | 12849604.88 | | 5651894.65 | |
| INSURANCE | 139504.00 | | 500768.00 | |
| LEAVE TRAVEL ALLOWANCE | 0.00 | | 149000.00 | |
| OTHER PROJECT EXPENSES | 466522.80 | | 0.00 | |
| OFFICE MAINTENANCE | 283324.50 | | 127466.50 | |
| PRINTING & STATIONERY | 1248441.45 | | 1004261.46 | |
| PROCESSING CHARGES | 98220.00 | | 0.00 | |
| RENT | 36790600.00 | | 258000.00 | |
| REPAIRS & MAINTENANCE OF BUILDING | 35112036.62 | | 5474558.31 | |
| SHARE REGISTRAR EXPENSES | 36789.00 | | 39158.00 | |
| STAFF SALARY | 5097295.00 | | 3775163.00 | |
| STAFF WELFARE | 358967.75 | | 46540.50 | |
| SUBSCRIPTION & PERIODICALS | 63764.00 | | 45739.00 | |
| TELEPHONE & POSTAGE | 852975.20 | | 525451.70 | |
| TRAVELLING, CONVEYANCE & FUEL | 4235095.00 | | 2020865.04 | |
| | | 150904563.82 | | 33804985.60 |
| B. SALES PROMOTION | | | | |
| ADVERTISEMENT EXPENSES | 1030958.00 | | 1394175.00 | |
| BUSINESS PROMOTION | 1545581.44 | | 516936.56 | |
| | | 2576539.44 | | 1911111.56 |
| C. DEFERRED REVENUE EXPENDITURE | | 20000.00 | | 40000.00 |
| D. PRE-OPERATIVE EXPENSES | | 165327.20 | | 4005.85 |
| | | 245827780.46 | | 35760103.01 |
| SCHEDULE XVII | | | | |
| INTEREST & FINANCIAL CHARGES | | | | |
| BILL DISCOUNTING CHARGES | 0.00 | | 2327855.25 | |
| INTEREST | 26106720.52 | | 45266536.00 | |
| | | 26106720.52 | | 47594391.25 |

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 30.09.2007

| | |
|---|----------------------|
| A. CASH FLOW FROM OPERATING ACTIVITIES | RS. |
| Net Profit/Loss Before Tax and Extraordinary Items | 316133573.38 |
| Add: Adjustment for: | |
| Depreciation | 4413983.60 |
| Miscellaneous Expenditure Written off | 185327.20 |
| Interest and Finance Charges | 26106720.52 |
| Operating Profit Before Working Capital Changes | 346839604.70 |
| Add: Adjustments for: | |
| Preliminary Expenses | -62500.00 |
| Advance for purchase of property | -956252.00 |
| Decrease in Trade and Other Receivables | -325235922.80 |
| Increase in Inventories | -510296711.15 |
| Increase in Trade Payables | 226600950.47 |
| Provision for Tax | -36000000.00 |
| Net Cash From Operations | <u>-299110830.80</u> |
| B. CASH FLOW FROM INVESTMENT ACTIVITIES | |
| Purchase of Fixed Assets | -20325341.03 |
| Purchase of Investments | 126171346.80 |
| Net Cash used in Investing Activities | <u>105846005.80</u> |
| C. CASH FLOW FROM FINANCING ACTIVITIES | |
| Proceeds from Borrowings | |
| Proceeds from Issue of shares | 262229861.57 |
| Payable Proposed Dividend | 1500000.00 |
| Interest Paid | -28000000.00 |
| Net Cash From Financing Activities | <u>-26106720.52</u> |
| | <u>209623141.05</u> |
| NET INCREASE IN CASH AND CASH EQUIVALENTS(A+B+C) | 16358316.05 |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR | 24423899.09 |
| CASH AND CASH EQUIVALENTS AT THE CLOSE OF THE YEAR | 40782215.14 |

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

sd/-
Kamal Lunawath
Managing Director
Chennai
24.12.2007

sd/-
Vimal Lunawath
Wholtime Director

sd/-
Priti Venkatesan
Company Secretary

AUDITORS' CERTIFICATE

We have examined the above consolidated cash flow statement of Arihant Foundations & Housing Limited for the year ended 30th September, 2007. The Statement has been prepared by the Company in accordance with the requirement of Clause 32 of the Listing agreement with stock exchanges and is based on and in agreement with corresponding consolidated profit & loss account and balance sheet of the Company covered by our report of December 24, 2007 to the members of the Company.

for B.P Jain & Co.
Chartered Accountants

sd/-
Devendra Kumar Bhandari
Partner

Place : Chennai
Date : 24.12.2007