

18th ANNUAL REPORT 2005-06



PRERNA FINSafe LTD.

CORPORATION INFORMATION

Board of Directors

Chairman Vijay C. Shah

Wholetime Director Nalini V. Shah

Wholetime Director Finance Sanket V. Shah
Swetalben C. Parikh
Mahendra K. Gosaliya
Dinesh V. Kamdar
Kiranbhai H. Shah

Audit Committee

Chairman Mahendra K. Gosaliya
Kiranbhai H. Shah
Sanket V. Shah

Remuneration Committee

Chairman Mahendra K. Gosaliya
Sanket V. Shah
Swetal Parikh

Con. Company Secretary

Pinakin Shah
C-103, Panchdhara Plaza,
Satelite Road, Ahmedabad-380 015.

Auditors

C. N. Shah & Company
Chartered Accountant
2nd Floor, Samrat Building,
Nr. Choice Gali, Swastik Cross Road,
C. G. Road, Ahmedabad.

Registered Office

606, Doctor House,
Nr. Parimal Rly. Crossing,
Ahmedabad-380 006.

Site Office

"Prerna"
Opp. Ananddham Derasar,
S. G. Highway, Ahmedabad.

Register & Share Transferred Agent

Pinnacle Shares Registry Pvt. Ltd.
Near Ashok Meals, Naroda Road,
Ahmedabad-380 025

Website

www.prernagroup.com

Bank

Central Bank of India
Paldi Branch,
Ahmedabad.

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PRERNA FINSAFE LTD.



DIRECTORS' REPORT

To,
The Members,
PRERNA FINSAFE LIMITED

Your Directors presents their Eighteenth Annual Report together with the Audited Statement of Accounts of the Company for the year ended on 31st March 2006.

FINANCIAL RESULTS:

	2005-06 (Rs in Lac)	2004-05 (Rs in Lac)
Profit before Taxation	459.11	160.54
Provision for Taxation	38.50	13.61
Profit After Taxation	421.13	146.53
Balance carried forward	-76.04	-497.17

MANAGEMENT DISCUSSION & ANALYSIS

Industry Structure & Development

The building & construction industry is a major driver of economic growth. In India, the construction sector accounts for about 6 per cent of GDP. Though the construction sector includes industrial construction, roads, ports and other infrastructure, it is in real estate that the new liberalized rules will have the maximum impact.

The sector's contribution is likely to increase in the coming years.

Real estate development in India focuses on two primary areas: retail and residential. The global real-estate consulting group Knight Frank has ranked India 5th in the list of 30 emerging retail markets and predicted an impressive 20% growth rate for the organized retail segment by 2010.

A report on real estate trends by Merrill Lynch said that the number of malls in Mumbai, Bangalore, New Delhi, Hyderabad and Pune was expected to grow to about 250 by 2010 as against 40 now. In terms of total area, there was 12.40 million square feet of mall space available in these cities, the report said quoting a survey by Knight Frank India.

The sector assumes its importance by way of being a large consumer of resources, supporting a large ancillary industry and a significant employment generator.

The entry of foreign investors may also lead to the development of an organized real estate finance market.

Opportunities & Threats :

Opportunities:

Real estate has always been about location. But over the years, it's becoming more about reputation. Given the current trend and the willingness of the Government to facilitate growth, there appears to be opportunities galore for construction companies in the medium to long term. Development of the real estate sector has not been uniform across the country. While cities such as Mumbai, Delhi, Gurgaon and Bangalore have been a realtor's paradise, others such as Ahmedabad has lagged. However, Ahmedabad is now fast catching up.

Threats:

Though the potential for growth is significant, achieving it is not as easy as it appears. The success in construction industry calls for improved methods of construction to achieve desired levels. With economy opening up and consequently, its growing needs, it is required to keep pace with the scientific and technological advancement.

PRERNA FINSAFE LTD.**SEGMENT WISE PERFORMANCE**

Aided by improved business environment, the company performed well during 2004-05. The Company is engaged in construction activities and it earns its income in the form of development charge. During the year under review, your Company completed project titled "PRERNA ARCADE" & "PRERNA SHIKHAR". The Company has discontinued its NBFC operations except investment of short term surplus funds in capital market. During the year under report, the development charge income has increased from Rs 151.30 Lacs to Rs 443.45 Lacs and net profit after tax is increased from Rs 146.53 Lacs to Rs 421.13 Lacs.

OUTLOOK

The changing structure of the construction industry has paved the way for the organized sector to play a more active role in the development of the sector. Your Company plans to develop a project titled "Prerna Bazar" and "Prerna Plaza" during current year. Your Directors are considering merging Prerna Hospitals Limited with your Company.

RISK & CONCERNS

Barring a handful of large companies, the industry set-up is characterized by the predominance of the small unorganized contractors. To counter the growing competition and keeping in view the rising outlays on construction projects, the larger companies in the sector are increasingly investing in capital equipment. Most contracts being awarded are of a fixed turnkey type, which carry penalties and incentives for delay and early completion, respectively.

INTERNAL CONTROL SYSTEMS & THEIR ADEQUACY:

The company has proper & adequate system of their internal controls proportionate to its size and business. The internal control systems of the company are designed to ensure that the financial and other records are reliable for preparing financial statements and other data.

CAUTIONARY STATEMENT:

The Management Discussion & Analysis Report may contain certain statement that might be considered forward looking within the meaning of applicable securities, laws and regulations. These statements are subject to certain risks and uncertainties. Actual results may differ materially from those expressed in the statements as important factors could influence the Company's operations such as Government policies, tax laws, political and economic development.

CORPORATE GOVERNANCE

Pursuant to clause 49 of the listing agreement, a report on corporate governance along with auditors' certificate of its compliance is included as part of the annual report.

DIRECTORS:

Shri Sanket V. Shah and Ms. Swetal Parikh Directors will retire by rotation and being eligible, offer themselves for reappointment. Shri Kiran H. Shah and Dinesh V. Kamdar have joined the Board as independent Directors and bring their rich experience. Shri Sanket V. Shah, Director is appointed as Whole Time Director-Finance w.e.f. 15/6/2006 and is also designated as CFO in terms of clause 49 of the listing agreement.

CODE OF CONDUCT

The code of conduct for all Board members and senior management of the Company has been laid down and is being complied in words and spirit. The declaration on compliance of code of conduct signed by CEO of the Company is included as a part of this annual report.

AUDITORS AND AUDITORS' REPORT:

The Auditors' M/s C.N. Shah & Co., Chartered Accountants, Ahmedabad holds office until the conclusion of the ensuing Annual General Meeting and are recommended for reappointment for the year 2005-2006. The Company

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has received certificate from the Auditors' to the effect that the reappointment if made, would be within prescribed limit under Section 224 (1-B) of the Companies Act, 1956.

The notes on accounts are self-explanatory and do not require further clarifications.

FIXED DEPOSITS:

The Company has not accepted any deposits from the public.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO:

Particulars required to be furnished by the Companies (Disclosure of particulars in the Report of Board of Directors) Rules 1988:

Part A and B pertaining to conservation and technology absorption is not applicable to the Company. However the Company endeavored to conserve energy consumption wherever feasible.

The Company has neither used nor earned any foreign exchange during the year under review.

DIRECTOR'S RESPONSIBILITY STATEMENT:

Pursuant to sub-Section (2AA) of Section 217 of Companies Act 1956 the Board of Directors of the Company hereby State and confirm that:

- (i) in preparation of Annual Accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- (ii) the Directors had selected such accounting policies and applied them consistently and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at end of the financial year and of the profit or loss of the company for that period;
- (iii) the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- (iv) the Directors had prepared the annual accounts on a going concern basis.

PARTICULARS OF EMPLOYEES:

The information as required under Section 217(2A) of the Companies Act, 1956 read with Companies (particulars of employees' amendment) Rules, 1988 as amended from time to time is nil.

ACKNOWLEDGEMENT

Your Directors sincerely appreciate the high degree of commitment and dedication by employees. The Directors also place on record their gratitude to the Members for their continued support and confidence.

For and on behalf of the Board of Directors

Place : Ahmedabad

Date : 15/06/2006

Chairman and Managing Director
[Vijay C. Shah]

Registered Office:

606, Doctor House,
C. G. Road,
Ahmedabad

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**CORPORATE GOVERNANCE – PRERNA FINSAFE LIMITED**

(As required by clause 49 of the Listing Agreement with the stock exchange)

This section on Corporate Governance forms part of the Directors' Report to the shareholders. This report is given in terms of clause 49 of the Listing Agreement entered with the Mumbai Stock Exchange where the shares of the Company have been listed.

MANDATORY REQUIREMENTS**1. Company's Philosophy & Code of Governance**

The Cornerstone of your company's corporate governance policy is directed towards adherence to ethical business practices.

2. Board of Directors

Composition of Board:

The composition of the Board is in conformity with clause 49 of the Listing Agreement. The Board of Directors consists of 7 [Seven] members. The company has a executive Chairman and the number of independent director is one half of the total number of directors. None of the Directors on the Board is a member on more than 10 Committees and Chairman of more than 5 Committees (as specified in clause 49), across all the Companies in which he is a Director. The Directors have made the necessary disclosures regarding Committee positions.

The Composition of the Board as on 31st March 2006 was as under.

Directors	Category	Attendance Particulars			Other Committee Membership	
		Board Meeting	Last AGM	Other Directorship	Member	Chairman
Shri Vijay C. Shah Chairman & Managing Director	Promoter & Executive	7	Y	2	0	0
Smt Nalini V. Shah Whole Time Director	Promoter & Executive	7	Y	2	0	0
Ms. Swetal C. Parikh	IND	7	Y	0	0	0
Shri Mahendrabhai K. Gosalia	IND	7	Y	0	0	0
Shri Sanket V. Shah	Promoter & Non-Executive	7	Y	0	0	0
Shri Kiran H. Shah	IND	0	N	0	0	0
Shri Dinesh V. Kamdar	IND	0	N	0	0	0

IND- Independent

Details of Board Meetings held during the year 2005-06

Date of Meeting	No. of Directors Present
30/6/2005	5
31/07/2005	5
31/10/2005	5
24/11/2005	5
15/01/2006	5
23/01/2006	5
31/03/2006	5



3. AUDIT COMMITTEE

Terms of Reference:

The terms of reference, role and scope are in line with those prescribed by clause 49 of the Listing Agreement executed with the Mumbai Stock Exchange. The Company also complies with the provisions of Section 292A of the Companies Act 1956 pertaining to Audit committee and its functioning.

The Board delegated the following powers to the Audit Committee:

- i. To investigate any activity within its terms of reference
- ii. To seek information from any employee.
- iii. To obtain outside legal or other professional advice.
- iv. To secure attendance of outsiders with relevant expertise, if it considers necessary.

The Board defined the role of Audit Committee as under:

- a. Overseeing the company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible;
- b. Recommending the appointment/removal of external auditors, fixing audit fees and approving payments for any other services;
- c. Reviewing with the management the annual financial statements before. Submission to the Board;
- d. Reviewing with the management external and internal auditors, the adequacy of Internal control system;
- e. Discussing with the external auditors before the audit commences, the nature and scope of audit as well as have post audit discussions to ascertain any area of concern;
- f. Reviewing the company's financial & risk management policies;
- g. To look into the reasons for substantial defaults in the payment to the creditors.

Composition:

The Audit Committee comprises of 3 Non Executive Directors & majority of them are independent. The members of audit committee have adequate financial/accounting knowledge.

The Audit Committee met four times during the year under review on 30/06/2005, 31/07/2005, 31/10/2005 and 23/01/2006. The audit committee was reconstituted on 31/03/2006.

Name	Designation		Attendance
Shri Mahendra K. Gosalia Chairman	Non executive Independent	4	
Shri Dinesh Kamdar	Non executive Independent	0	Appointed w.e.f. 31/03/2006
Smt Swetal C. Parikh	Non executive Independent	4	Ceased to be member w.e.f. 31/03/2006
Shri Sanket Shah	Promoter	4	Ceased to be member w.e.f. 31/03/2006
Shri Kiran Shah	Non executive Independent	0	Appointed w.e.f. 31/03/2006

4. REMUNERATION OF DIRECTORS

Terms of Reference:

- Reviewing the overall compensation policy, service agreements and other employment conditions of Managing/whole time Directors.

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- Reviewing performance of the Managing /Whole time Director and recommending to the Board, the quantum of annual increments and annual commission.

Composition:

Remuneration committee was formed in the Board Meeting held on 24/11/2005. Its composition is as under:

Name of the Director	Position	Category
Shri Mahendra K. Gosalia	Chairman	Independent-Non Executive
Shri Sanket V. Shah	Member	Non Independent-Non Executive
Ms. Swetal Parikh	Member	Independent-Non Executive

The committee met once on 6/1/2006 where all the members attended the meeting.

Remuneration Policy:

The appointment of Managing Director and Whole Time Director is governed by the resolution passed by the Board of Directors and share holders of the Company, which covers the terms of such appointment. Payment of remuneration to Managing Director and Whole Time Director is governed by the respective agreements executed between them and the Company. Remuneration paid to Managing Director and Whole Time Director is recommended by remuneration committee, approved by the Board and is within the limit. Remuneration package of Managing Director and Whole Time Director comprises of salary, perquisites and allowances as approved. Annual increments are linked to performance and to be decided by remuneration committee.

Presently, the Company does not have a scheme for grant for stock options or performance linked incentives for its Directors.

Details of remuneration to all the Directors for the year ended 31/03/2006.

Name of the Director	Salary [RS]	Benefits [RS]	Service contract
Shri Vijay C. Shah Chairman & Managing Director	130000	0	5 Years w.e.f. 15/01/2006.
Smt. Nalini V. Shah Whole Time Director	104000	0	5 Years w.e.f. 15/01/2006.

5. SHAREHOLDERS/INVESTOR'S GRIEVANCES COMMITTEE

The Company has constituted a Shareholders/Investor's Grievances Committee. The committee consists of two Directors. Shri Sanket V. Shah is the non-executive Director heading the committee. Shri Sanjay Kukadia is compliance officer.

This committee looks into the redressal of Shareholders/Investor's Grievances, if any like Transfer/ Transmission of Shares; Loss of Share Certificates; Non receipt of Annual Report etc. During the year, nil complaint was received from the shareholders. The Company has no transfers pending at the close of the financial year.

6. DETAILS OF LAST THREE ANNUAL GENERAL MEETING

Year	Venue of AGM	Date	Time
2002-03	6th Floor Doctor House, C. G. Road, Ahmedabad-6	30/09/2003	3.00 p.m.
2003-04	6th Floor Doctor House, C. G. Road, Ahmedabad-6	30/09/2004	10.00 a.m.
2004-05	6th Floor Doctor House, C. G. Road, Ahmedabad-6	30/09/2005	10.00 a.m.

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Special resolution approving voluntary delisting of the equity shares of the company from Ahmedabad stock exchange at Ahmedabad was passed at 17th Annual General Meeting of the Company held on 30/09/2005 which was put to vote by show of hands and was passed unanimously. There was no special resolution passed last year through postal ballot.

Pursuant to Section 192A(2) of the Companies Act, 1956 read with the Companies [Passing of the Resolution by Postal Ballot] Rules 2001, a special resolution to amend object clause of Memorandum of Association is proposed through postal ballot at 18th Annual General Meeting to be held on 12/08/2006.

7. DISCLOSURE**i. Disclosures on materially significant related party transactions that may have potential conflict with the interests of company at large.**

The Company has no materially significant related party transactions i.e. transactions of the Company of material nature with its promoters, the directors or the management, their subsidiaries or relatives etc., that may have potential conflicts with the interest of the Company at large.

For details about related parties transactions, see Notes on Accounts.

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

There were instances of non-compliance by the Company in last three years & trading in securities of the Company is suspended by the Mumbai stock exchange.

iii. Non mandatory requirements

Adoption of non mandatory requirements of clause 49 of the listing agreement are being reviewed by the Board from time to time.

8. Means of communication

The Board of Directors of the Company approves and takes on record the quarterly, half yearly and yearly financial results in the proforma prescribed by clause 41 of the listing agreement within one month of the close of the respective period. The approved financial results are forthwith send to the Mumbai stock exchange and are published in Chanakya & Newline Newspaper, English/Gujarati editions within 48 hours of approval thereof. The same are not send to the shareholders separately.

The Company's financial results and official news releases are not displayed on the Company's website. No formal presentations were made to institutional investors or to the analysts during the year under review.

Management Discussion and Analysis forms part of the annual report, which is posted to the share holders of the Company.

9. General Shareholder Information:**i. Date time and venue of-AGM**

Saturday, 12th August 2006 at 11.00 a.m. Doctor House, Nr. Parimal Crossing C. G. Road, Ahmedabad-380 006.

ii. Financial year

The Company follows April-March as its financial year. The results for every quarter beginning from April are declared in the month following the quarter except for the last quarter, for which results are declared by June as permitted under listing agreement.

iii. Dates of book closure

Monday, 7th August, 2006 to Saturday, 12th August, 2006. (Both days inclusive)