

Consolidated Financial Statements and Auditors' Report

Puravankara Projects Limited

30 June 2007

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Auditors' report

The Board of Directors
Puravankara Projects Limited

1. We have audited the attached Consolidated Balance Sheet of Puravankara Projects Limited ('the Company') and its subsidiaries and associates, collectively referred to as 'the Group' as at 30 June 2007, the Consolidated Profit and Loss Account and the consolidated cash flow statement for the quarter ended on that date annexed thereto. These Consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. 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 presentation of financial statements. 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's management in accordance with the requirements of Accounting Standard ('AS') 21, Consolidated Financial Statements and AS 23, Accounting for Investments in Associates in Consolidated Financial Statements and AS 25, Interim Financial Reporting issued by the Institute of Chartered Accountants of India.
4. We have not audited the financial statements of certain consolidated entities, whose financial statements reflect total assets and net losses of Rs.1,418,018,434 and Rs.408,450 respectively as at and for the quarter 30 June, 2007 respectively. These financial statements and other financial information have been audited by other auditors whose reports have been furnished to us, and our opinion is based solely on those reports.
5. In our opinion and to the best of our information and according to the explanations given to us, the attached Consolidated Financial Statements give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (a) In the case of the Consolidated Balance Sheet, of the state of affairs of the Group as at 30 June 2007;
 - (b) In the case of the Consolidated Profit and Loss Account, of the profit of the Group for the quarter ended 30 June 2007
 - (c) In the case of the Consolidated Cash Flow Statement, of the cash flows of the Group for the quarter ended 30 June 2007

For Walker, Chandiook & Co
Chartered Accountants

Aashish Arjun Singh
Partner
Membership No. 210122

Bangalore

Consolidated Balance Sheet

		30 June 2007	30 June 2006
		Rs.	Rs.
SOURCES OF FUNDS	Note		
SHAREHOLDERS' FUNDS			
Capital	3	960,087,275	80,000,000
Reserves and surplus	4	1,697,688,060	1,307,136,186
		<u>2,657,775,335</u>	<u>1,387,136,186</u>
LOAN FUNDS			
Secured loans	5	7,474,291,685	2,588,443,625
DEFERRED TAX LIABILITY(NET)	6	9,001,900	2,016,307
APPLICATION OF FUNDS		<u>10,141,068,920</u>	<u>3,977,596,118</u>
FIXED ASSETS	7		
Cost		481,894,024	213,177,260
Less: Accumulated depreciation/amortisation		(70,660,214)	(41,439,061)
Net book value		411,233,810	171,738,199
Capital work-in-progress including capital advances		9,304,601	-
		<u>420,538,411</u>	<u>171,738,199</u>
INVESTMENTS	8	676,439,672	243,532,256
PROPERTIES HELD FOR DEVELOPMENT	9	7,517,752,139	4,123,598,554
CURRENT ASSETS, LOANS AND ADVANCES			
Cash and bank balances	10	418,410,873	408,697,203
Inventories		225,903,994	65,251,254
Trade debtors	11	250,563,624	442,067,547
Properties under development	12	3,229,644,351	1,565,635,476
Properties held for sale	13	519,567,034	201,567,031
Loans and advances	14	1,969,067,663	1,549,177,595
		<u>6,613,157,539</u>	<u>4,232,396,107</u>
LESS: CURRENT LIABILITIES AND PROVISIONS			
Current liabilities	15	4,866,578,365	4,653,040,244
Provisions	16	220,240,476	140,628,755
		<u>5,086,818,841</u>	<u>4,793,668,999</u>
NET CURRENT ASSETS / (LIABILITIES)		<u>1,526,338,698</u>	<u>(561,272,892)</u>
		<u>10,141,068,920</u>	<u>3,977,596,118</u>

Significant accounting policies

The notes referred to above form an integral part of the consolidated financial statements

This is the consolidated balance sheet referred to in our report of even date

For Walker Chandio & Co
Chartered Accountants

For and on behalf of the Board of Directors

Aashish Arjun Singh
Partner

Ravi Puravankara
Chairman and
Managing Director

Nani R Choksey
Director

Ravi Ramu
Director

Sharda Balaji
Company Secretary

Membership No. 210122
Bangalore

Bangalore

Consolidated Profit and Loss Account

	Note	Quarter ended 30 June 2007	Quarter ended 30 June 2006
		Rs.	Rs.
REVENUES	17	1,204,064,386	942,187,357
COST OF REVENUES	18	688,844,656	555,278,846
GROSS PROFIT		515,219,730	386,908,511
Selling costs	19	64,608,276	52,220,647
General and administrative expenses	20	49,683,995	30,856,668
OPERATING PROFIT		400,927,459	303,831,196
Finance charges	21	1,231,641	3,296,237
PROFIT BEFORE TAX AND SHARE OF PROFITS IN ASSOCIATES		399,695,818	300,534,959
Share of Profits in associates		83,777,885	12,122,246
PROFIT BEFORE TAX		483,473,703	312,657,205
Provision for tax	22	43,328,018	52,751,997
PROFIT AFTER TAX		440,145,684	259,905,208
EARNINGS PER SHARE : Basic and diluted (Par value Rs. 5)	23	2.29	1.35

Significant accounting policies 1

The notes referred to above form an integral part of the consolidated financial statements. This is the consolidated profit and loss account referred to in our report of even date

For Walker Chandiook & Co
Chartered Accountants

For and on behalf of the Board of Directors.

Aashish Arjun Singh
Partner

Ravi Puravankara
Chairman and
Managing Director

Nani R Choksey
Director

Ravi Ramu
Director

Sharda Balaji
Company
Secretary

Membership No. 210122
Bangalore

Bangalore

Notes to the Consolidated Financial Statements

1 Significant Accounting Policies

a. Basis of preparation

The financial statements have been prepared on accrual basis under the historical cost convention and in accordance with the applicable accounting standards issued by the Institute of Chartered Accountants of India ('ICAI'). The accounting policies have been consistently applied unless otherwise stated.

b. Use of estimates

The preparation of financial statements is in conformity with generally accepted accounting principles which require the management of the Group to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the results of operations during the reporting periods. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from those estimates. Significant estimates used by management in the preparation of these financial statements include the percentage completion for projects in progress, estimates of the economic useful lives of the fixed assets, provisions for bad and doubtful debts and accruals for employee benefits.

c. Basis of consolidation

Subsidiaries are all entities over which the Company has the power to control the financial and operating policies. The Company obtains and exercises control through voting rights. The consolidated financial statements of the Group incorporate the financial statements of the Company as well as those entities controlled by the Company. The consolidated financial statements have been combined on a line-by-line basis by adding the book values of like items of assets, liabilities, income and expenses after eliminating intra-group balances/transactions and resulting unrealized profits in full. The amounts shown in respect of reserves comprise the amount of the relevant reserves as per the balance sheet of the parent company and its share in the post-acquisition increase in the relevant reserves of the consolidated entity.

Minority interest represents the amount of equity attributable to minorities at the date on which investment in a subsidiary is made and its share of movements in the equity since that date. Any excess consideration received from minority shareholders of subsidiaries over the amount of equity attributable to the minority on the date of investment is reflected under Reserves and Surplus.

Associates are those entities over which the Company is able to exercise significant influence but which are neither subsidiaries nor interests in a joint venture. Investments in associates are initially recognised at cost and subsequently accounted for using the equity method.

Consolidated financial statements are prepared using uniform accounting policies across the Group.

d. Revenue recognition

Revenues from projects

Revenue from the sale of properties is recognized when the significant risks and rewards of ownership have been transferred to the customer, which coincides with the entering into of a legally binding agreement. Revenues from such contracts are recognized under the percentage of completion method. Contract revenues represent the aggregate amounts of sale price for agreements entered into and are accrued based on the percentage that the actual construction costs incurred until the reporting date bears to the total estimated construction costs to completion.

Contract costs include the estimated construction, development, proportionate land cost and other directly attributable costs of the projects under construction. Losses expected to be incurred on projects in progress, are charged to the profit and loss account in the period in which these losses are known.

The estimates for saleable area and contract costs are reviewed by management periodically and the cumulative effect of the changes in these estimates, if any, are recognized in the period in which these changes may be reliably measured.

Cost and recognized profits to date in excess of progress billings on construction projects in progress are disclosed under Properties Under Development (a current asset). Where the progress billings exceed the costs and recognized profits to date on projects under construction, the same is disclosed as Advances Received From Customers, (a current liability). Any billed revenue that has not been collected is disclosed under Trade Debtors and is net of any provision for amounts doubtful of recovery.

Rental income

Income from rentals is recognised on a straight line basis over the primary, non-cancellable, period of the arrangement.

e. *Properties held for sale*

Completed properties held for sale are stated at the lower of cost and net realisable value. Cost includes cost of land, construction related overhead expenditure and borrowing costs and other net costs incurred during the period of development.

f. *Properties held for development*

Properties held for development represents land acquired for future development and construction, and is stated at cost including the cost of land, the related costs of acquisition, borrowing cost and other costs incurred to get the properties ready for their intended use.

g. *Fixed assets*

Fixed assets are stated at cost less accumulated depreciation and impairment losses. Cost comprises the purchase price and any cost attributable to bringing the asset to its working condition for its intended use. Advances paid towards acquisition of fixed assets before the period end are classified as capital work in progress.

Borrowing costs directly attributable to acquisition or construction of those fixed assets which necessarily take a substantial period of time to get ready for their intended use are capitalised. Fixed assets purchased in foreign currency are recorded at the actual rupee cost incurred.

Expenditure directly relating to expansion is capitalized only if it increases the life or functionality of an asset beyond its original standard of performance.

h. *Depreciation*

Depreciation on fixed assets is provided on the straight-line method, using the rates specified in Schedule XIV to the Companies Act, 1956, except in the case of shuttering and scaffolding items where the estimated useful life has been determined as seven years. Assets individually costing less than Rs 5,000 are fully depreciated in the year of purchase.

i. *Impairment of assets*

- j. The Company assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. If such recoverable amount of the asset or the recoverable amount of the cash-generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognised in the profit and loss account. If at the balance sheet date there is an indication that if a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciated historical cost.

k. *Inventory*

Inventory comprises raw materials used for the construction activity of the Company. Raw materials are valued at the lower of cost and net realisable value with the cost being determined on a 'First In First Out' basis.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and costs required to make the sale.

l. *Foreign currency transactions*

(a) *Initial Recognition*

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

(b) *Conversion*

Foreign currency monetary items are reported using the closing rate. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction; and non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rates that existed when the values were determined.

Exchange differences arising on a monetary item that, in substance, form part of company's net investment in a non-integral foreign operation is accumulated in a foreign currency translation reserve in the financial statements until the disposal of the net investment, at which time they are recognised as income or as expenses.

m. Leases

Finance Leases

Assets acquired on lease which effectively transfer to the Company substantially all the risks and benefits incidental to ownership of the assets, are capitalized at the lower of the fair value and present value of the minimum lease payments at the inception of the lease term and disclosed as leased assets. Lease payments are apportioned between the finance charges and reduction of the lease liability based on the implicit rate of return. Finance charges are charged directly against income. Lease management fees, legal charges and other initial direct costs are capitalised.

If there is no reasonable certainty that the Company will obtain the ownership by the end of the lease term, capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Operating leases

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased assets are classified as operating leases. Operating lease payments are recognized as an expense in the Profit and Loss account on a straight-line basis over the lease term.

n. Employee benefits

Expenses and liabilities in respect of employee benefits are recorded in accordance with Accounting Standard 15 Employee Benefits (Revised 2005) "Revised AS 15".

Provident fund

The Company contributes to the statutory provident fund of the Regional Provident Fund Commissioner, in accordance with Employees provident fund and Miscellaneous Provision Act, 1952. The plan is a defined contribution plan and contribution paid or payable is recognised as an expense in the period in which the employee renders services.

Gratuity

Gratuity is a post employment benefit and is a defined benefit plan. The liability recognised in the balance sheet represents the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets (if any), together with adjustments for unrecognised actuarial gains or losses and past service costs. Independent actuaries using the projected unit credit method calculate the defined benefit obligation annually.

Actuarial gains or losses arising from experience adjustments and changes in actuarial assumptions are credited or charged to the Profit and loss account in the year in which such gains or losses arises.

Vacation pay

Liability in respect of vacation pay becoming due or expected to be availed within one year from the balance sheet date is recognised on the basis of undiscounted value of estimated amount required to be paid or estimated value of benefit expected to be availed by the employees. Liability in respect of earned leave becoming due or expected to be availed more than one year after the balance sheet date is estimated on the basis of actuarial valuation in a manner similar to gratuity liability.

Other short-term benefits

Expense in respect of other short-term benefits including performance bonus is recognised on the basis of amount paid or payable for the period during which the employees render services.

o. Stock based compensation

The Company accounts for stock based compensation based on the intrinsic value method. Option discount representing the excess of the fair value or the market value of the underlying shares at the date of the grant over the exercise price of the option is amortised on a straight-line basis over the vesting period of the shares issued under the Company's Employee Stock Option Plan (ESOP).

p. Taxes on income

Tax expense comprises both current and deferred taxes. The current charge for income taxes is calculated in accordance with the relevant tax regulations. Deferred income taxes reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date.

Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. Deferred tax assets are recognised on carry forward of unabsorbed depreciation and tax losses only if there is virtual certainty that such deferred tax assets can be realised against future taxable profits.

Unrecognised deferred tax assets of earlier years are re-assessed and recognised to the extent that it has become reasonably certain that future taxable income will be available against which such deferred tax assets can be realised.

q. *Earnings per share*

Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders (after deducting preference dividends and attributable taxes) by the weighted average number of equity shares outstanding during the period. Partly paid equity shares are treated as a fraction of an equity share to the extent that they were entitled to participate in dividends relative to a fully paid equity share during the reporting period. The weighted average numbers of equity shares outstanding during the period are adjusted for events of bonus issue; bonus element in a rights issue to existing shareholders; share split; and reverse share split (consolidation of shares).

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all potential equity shares.

r. *Provisions and contingent liabilities*

The Company creates a provision when there is a present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

2. Group Structure

The subsidiaries and associates consolidated under the Group as at 30 June 2007 comprise the entities listed below:

Name of the Entity	Country of Incorporation	Effective Shareholding
<i>Overseas Subsidiary Companies</i>		
Puravankara Holdings Lanka Private Limited	Sri Lanka	100%
Puravankara Projects Lanka Private Limited	Sri Lanka	100%
Purva Corporation	British Virgin Islands	100%
<i>Indian Subsidiary Companies</i>		
Prudential Housing & Infrastructure Development Limited	India	100%
Centurion Housing & Construction Private Limited	India	100%
Melmont Constructions Private Limited	India	100%
Purva Marine Properties Private Limited	India	100%
Purva Realities Private Limited	India	100%
<i>Associate Companies</i>		
Keppel Puravankara Development Private Limited	India	49 %
Propmart Technologies Limited	India	32.83%
Magus Bengal Developers Private Limited	India	32.26%

	30 June 2007	30 June 2006
	Rs.	Rs.
3 CAPITAL		
Authorised		
240,000,000 Equity shares of Rs 5 each (2006 - 1,000,000 equity shares of Rs. 100 each)	1,200,000,000	100,000,000
Issued, subscribed and paid up		
192,017,455 Equity shares of Rs 5 each fully paid up (2006 – 800,000 equity shares of Rs. 100 each)	960,087,275	80,000,000
	960,087,275	80,000,000

Notes:

- (a) In the Extraordinary General Meeting of the members held on 23 December 2006, the members of the Company approved the split of its equity shares from a face value of Rs 100 per share to Rs 5 per equity share. Further, the members also approved a bonus issue of eleven equity shares for every equity share held on that date.
- (b) On 23 December 2006, the members also approved the increase in the authorised share capital from 1,000,000 shares of Rs 100 each to 240,000,000 shares of Rs 5 each.

4 RESERVES AND SURPLUS**General Reserve**

Balance at the beginning of the period	87,000,000	137,000,000
Less: Issuance of bonus shares	-	-
Add: Transfer from profit and loss account	-	-
Balance at the end of the period	87,000,000	137,000,000

Profit and Loss Account

Balance at the beginning of the period	1,160,629,332	910,230,978
Add: Net profit for the period	440,145,684	259,905,208
Balance at the end of the period	1,600,775,016	1,170,136,186

Securities Premium

	9,913,044	-
	1,697,688,060	1,307,136,186

Note:

In the Extraordinary General Meeting of the members held on December 23, 2006, the members of the Company approved the split of its equity shares from a face value of Rs 100 per share to Rs 5 per equity share. Further, the members also approved a bonus issue of eleven equity shares for every equity share held on that date.

		30 June 2007	30 June 2006
		Rs.	Rs.
5 SECURED LOANS			
Term loans	(a)	6,263,290,720	2,165,000,000
Debentures	(b)	250,000,000	-
Cash Credit & Other loans	(c)	961,000,965	423,443,625
Interest accrued and due		-	-
		7,474,291,685	2,588,443,625

Notes:(a) *Term Loans*

- i. On 19 May, 2003, the Company entered into an agreement with HDFC Bank for a line of credit of Rs 300 million for funding certain specified projects. This facility is secured by the mortgage of specified lands, repayable in 30 monthly instalments commencing November 2005. The outstanding as on 30 June 2007 was Rs.90 million.
- ii. On 31 March, 2004, the Company entered into another agreement with HDFC Bank for a line of credit of Rs 500 million for funding certain specified projects. This facility is secured by mortgage of the land and buildings of specific projects, specified vacant lands and the personal guarantee of Mr Ravi Puravankara, the Managing Director, repayable in 15 bi-monthly instalments commencing November 2006. The outstanding as on 30 June 2007 was Rs.350 million.
- iii. On 25 June, 2005, the Company entered into an agreement with ICICI Bank for a line of credit facility upto a maximum of Rs 500 million for funding another project. This facility is secured by mortgage of specified land and buildings, a part of the scheduled receipts of the project and the scheduled receipts of certain other specified projects, repayable in 27 monthly commencing from 25 September, 2005. These borrowings also carry the personal guarantees of Mr Ravi Puravankara, the Managing Director, Mr Nani R Choksey and Mr Girish Puravankara, Directors of the Company. The outstanding as on 30 June 2007 was Rs.87.5 million.
- iv. On 30 November, 2005, the Company entered into an agreement with HDFC Bank for a term loan facility upto a maximum of Rs 1,250 million for funding certain specified projects. This facility is secured by the mortgage of properties purchased and developed out of the facility, specified vacant lands and the personal guarantee of Mr Ravi Puravankara, the Managing Director, repayable in 14 monthly instalments commencing September 2006. The outstanding as on 30 June 2007 was Rs.475 million.
- v. On 14 July, 2006, the Company entered into an agreement with ICICI Bank for a line of credit facility of Rs 2,500 million for funding other projects. These facilities are secured by mortgage of the land and building of the specific projects and their project receipts, repayable in 21 monthly instalments commencing from January 2007. Additionally, these borrowings are also carrying the personal guarantees of Mr Ravi Puravankara, the Managing Director, Mr Nani R Choksey, Mr Girish Puravankara and Mr Ashish Puravankara, Directors of the Company. The outstanding as on 30 June 2007 was Rs.1,695.077 million.
- vi. On 5 August, 2006, the Company entered into a term loan agreement with Standard Chartered Bank for Rs 1,000 million towards construction and development of its projects and for existing debt repayment, repayable in 24 monthly instalments from the 15th month of the date of first drawdown (date of the first drawdown : 16 Nov 2006) . This facility is secured by mortgage of the land and building of certain specified projects and their project receipts and is also backed by the personal guarantee of Mr Ravi Puravankara, the Managing Director. Additional facility of 200 million was availed on 5 April 2007 for the same security as above, repayable in 24 monthly instalments starting from 16 Feb 2008. The outstanding as on 30 June 2007 was Rs.1,200 million.
- vii. On 20 March, 2007 the Company entered into a term loan agreement with HSBC for Rs 1500 million which was drawn down fully on the same day. Rs 1000 million was availed for the purpose of construction and development of Purva Fountain Square project and the balance Rs. 500 million towards repayment of construction loan taken from ICICI. Tenor of the loan is 15 months and the repayment period is 12 months. A promissory note for Rs 1500 million has been issued to the bank. The outstanding as on 30 June 2007 was Rs.1,500 million.
- viii. On 10 May 2007, the Company entered into an agreement with ICICI Bank for a term loan facility upto a maximum of Rs 1,500 million for funding certain specified projects. This facility is secured by the mortgage of properties purchased and developed out of the facility, specified vacant lands and the personal guarantee of Mr Ravi Puravankara, the Managing Director, Mr Nani R Choksey, Mr Girish Puravankara and Mr Ashish Puravankara, Directors of the Company repayable in 16 monthly instalments commencing 15 April 2008. The outstanding as on 30 June 2007 was Rs.465.72 million

- ix. On 19 May, 2007, Melmont Constructions Pvt Ltd and Purva Realities Pvt Ltd entered into an agreement with HDFC Bank for a term loan of Rs.1250 million. This facility is secured pledge of equity shares of Melmont Constructions Pvt Ltd and Purva Realities Pvt Ltd held by the Company and Ashish Puravankara. Tenor of the loan is 40 months. The outstanding as on 30 June 2007 was Rs.400 million.

(b) *Debentures*

The Company has during the period issued 250 12.25% Secured Non Convertible Redeemable Debentures of face value of Rs.1,000,000 each for cash at par to LIC Mutual Fund. The tenor of these debentures is 12 months and repayment is due in May 2008 together with interest on maturity. The debentures are secured and the Company is in the process of registering the charge.

(c) *Cash Credit & Other Loans*

- i. The Company entered into an agreement with Andhra Bank for a cash credit facility of Rs 150 million and is secured against properties of the Company.
- ii. On 18 May, 2006, the Company entered into an agreement with Standard Chartered Bank for a cash credit facility of Rs 1,000 million towards construction and development of its projects and for existing debt repayment repayable in November 2008. This facility is secured by mortgage of the land and building of certain specified projects and their project receipts and is also backed by the personal guarantee of Mr Ravi Puravankara, the Managing Director.
- iii. Other loans represent loans taken for purchase of vehicles. These loans are secured by a charge against respective vehicles.

Principal amounts due in one year are as follows:

	30 June 2007	30 June 2006
	Rs.	Rs.
Term loans	3,440,374,468	2,165,000,000
Debentures, Cash Credit and Other loans	1,211,000,965	423,443,625
	<u>4,651,375,433</u>	<u>2,588,443,625</u>
 6. DEFERRED TAX LIABILITY		
Deferred tax liability arising on account of Depreciation	17,433,210	8,679,971
Less: deferred tax asset arising on account of:		
Provision for expenses	-	5,738,114
Expenses allowable on payment basis	8,431,310	925,550
	<u>9,001,900</u>	<u>2,016,307</u>

7. FIXED ASSETS

Rs.

Category of assets	Cost				Accumulated Depreciation/Amortisation				Net Book Value	
	1 April 2007	Additions during the period	Deletions during the period	30 June 2007	1 April 2007	Charge for the period	Deletions for the Period	30 June 2007	30 June 2007	31 Mar 2007
<u>Tangible Assets</u>										
Buildings	37,074,680	-	-	37,074,680	413,916	150,254	-	564,170	36,510,510	36,660,764
Plant & Machinery	212,398,062	15,910,456	-	228,308,518	10,198,765	2,659,114	-	12,857,879	215,450,639	202,199,297
Office Equipment	9,825,234	1,158,460	-	10,983,694	1,412,278	187,807	-	1,600,085	9,383,609	8,412,957
Computers	14,816,444	939,426	-	15,755,870	3,551,244	650,125	-	4,201,369	11,554,501	11,265,200
Furniture & Fixtures	7,958,322	460,247	-	8,418,569	2,118,749	299,334	-	2,418,083	6,000,486	5,839,572
Vehicles	46,246,353	-	-	46,246,353	11,635,271	1,115,232	-	12,750,503	33,495,850	34,611,082
Shuttering Material	110,055,704	20,278,816	-	130,334,520	29,845,562	4,229,417	-	34,074,978	96,259,542	80,210,142
<u>Intangible Assets</u>										
Computer Software	4,771,820	-	-	4,771,820	2,034,494	158,653	-	2,193,147	2,578,673	2,737,326
TOTAL	443,146,619	38,747,405	-	481,894,024	61,210,279	9,449,936	-	70,660,214	411,233,810	381,936,341
Prior Period	211,146,577	2,030,683	-	213,177,260	35,977,673	5,461,388	-	41,439,061	171,738,199	175,168,904

	30 June 2007	30 June 2006
	Rs.	Rs.
8 INVESTMENTS		
Investment in Associates: (Unquoted and fully paid up)		
Keppel Puravankara Development Private Limited 4,410,000 Equity Shares (30 June 2006 - 4,410,000) of Rs 10/- each at par, including share of profit	278,853,672	67,132,256
17,640,000 13.25% cumulative, redeemable Preference Shares (30 June 2006 - 17,640,000) of Rs 10 each at par	176,400,000	176,400,000
Magus Bengal Developers Private Limited *	221,186,000	-
	<u>676,439,672</u>	<u>243,532,256</u>
* Represents amount paid to Magus Bengal Developers Private Limited for the subscription of Shares. The Company is in the process of having these Shares allotted.		
9 PROPERTIES HELD FOR DEVELOPMENT		
At the beginning of the period	7,007,546,850	3,067,632,929
Add : Additions during the period	885,544,832	1,055,965,625
Less: Transferred for development	(375,339,543)	-
	<u>7,517,752,139</u>	<u>4,123,598,554</u>
10 CASH AND BANK BALANCES		
Cash balances on hand	30,834,196	8,972,924
Bank balance with Scheduled bank:		
In current accounts	335,828,456	366,555,270
In deposit account	51,267,623	32,472,677
Bank balance with Non scheduled bank:		
In current accounts	480,598	696,332
HSBC Bank, Dubai	-	-
	<u>418,410,873</u>	<u>408,697,203</u>
11 TRADE DEBTORS (Unsecured and considered good)		
Debts outstanding for a period exceeding six months	72,440,508	-
Other Debits :		
Considered good	178,123,116	442,067,547
	<u>250,563,624</u>	<u>442,067,547</u>
12 PROPERTIES UNDER DEVELOPMENT		
Land cost	2,529,269,837	1,512,471,141
Material and construction cost	5,753,088,710	2,611,424,418
Profit recognised to date	3,585,218,188	1,742,740,408
Less: Progress payments received and receivables	(8,637,932,384)	(4,301,000,491)
	<u>3,229,644,351</u>	<u>1,565,635,476</u>
13 PROPERTIES HELD FOR SALE		
At the beginning of the period	515,355,058	200,703,071
Add : Properties constructed during the period	4,211,976	9,920,870
Less: Properties sold during the period	-	(9,056,910)
	<u>519,567,034</u>	<u>201,567,031</u>

	30 June 2007	30 June 2006
	Rs.	Rs.
14 LOANS AND ADVANCES		
Advances to suppliers	314,661,375	243,547,589
Advances for land contracts	750,763,285	801,040,132
Trade deposits	374,035,589	35,184,675
Loans to associates	232,603,535	322,747,055
Advance tax (net of provision)	55,460,601	27,642,107
Prepaid expenses	12,958,276	166,667
Other advances	228,585,002	118,849,370
	<u>1,969,067,663</u>	<u>1,549,177,595</u>

The above are unsecured & considered good.

15 CURRENT LIABILITIES

Advances received from customers	3,657,870,055	4,103,769,537
Duties and taxes payable	64,101,252	34,231,358
Security deposits	30,355,054	19,034,770
Trade creditors	800,838,728	223,843,135
Dues to related parties	243,230,232	173,203,211
Other liabilities	70,183,044	98,958,233
	<u>4,866,578,365</u>	<u>4,653,040,244</u>

There are no amounts due to small scale industrial undertakings.

16 PROVISIONS

Provision for gratuity	2,926,659	3,798,755
Provision for vacation pay	6,722,817	-
Proposed dividend	180,000,000	120,000,000
Tax on proposed dividend	30,591,000	16,830,000
	<u>220,240,476</u>	<u>140,628,755</u>

	Quarter ended 30 June 2007	Quarter ended 30 June 2006
	Rs.	Rs.
17 REVENUES		
Revenue from projects	1,192,640,276	934,611,586
Rental income	7,719,503	6,146,054
Income from interiors	3,704,607	1,429,717
	<u>1,204,064,386</u>	<u>942,187,357</u>
18 COST OF REVENUES		
Construction cost		
Material and contract costs	517,137,927	483,181,129
Staff costs	43,894,542	7,893,158
Depreciation	7,114,397	3,471,320
	<u>568,146,866</u>	<u>494,545,607</u>
Land cost	67,324,297	11,993,083
Other direct costs	53,373,493	48,740,156
	<u>688,844,656</u>	<u>555,278,846</u>
19 SELLING COSTS		
Staff costs	7,066,331	2,631,053
Advertising and sales promotion	52,682,306	47,318,988
Sales incentives and commission	2,952,692	1,203,336
Brokerage and referral charges	917,650	146,879
Travel and conveyance	184,433	260,438
Communication	291,108	197,111
Depreciation	513,756	462,843
	<u>64,608,276</u>	<u>52,220,648</u>
20 GENERAL AND ADMINISTRATIVE EXPENSES		
Staff costs	20,732,806	16,791,021
Depreciation	1,821,783	1,851,371
Rates and taxes	8,250,926	1,357,764
Repairs and maintenance	4,413,577	1,346,677
Legal and professional charges	1,780,028	714,159
Audit Fees	500,000	154,678
Communication costs	1,765,989	366,064
Printing and stationary	1,326,139	555,286
Travelling and conveyance	3,009,630	2,343,939
Security charges	1,505,941	348,976
Foreign exchange loss/(gain)	972,093	(65,256)
Miscellaneous expenses	3,605,083	5,091,989
	<u>49,683,995</u>	<u>30,856,668</u>

	Quarter ended 30 June 2007	Quarter ended 30 June 2006
	Rs.	Rs.
21 FINANCE CHARGES		
Interest on loans and cash credit	226,244,469	50,382,458
Loan and other processing charges	15,000,000	-
Interest Income		
Loan to associate	(7,988,122)	(6,815,941)
Interest received from customers	(1,365,347)	(1,320,604)
Less: Interest and processing charges capitalised	(230,659,359)	(38,949,676)
	<u>1,231,641</u>	<u>3,296,237</u>
22 Provision for tax		
Current tax	45,044,575	39,100,000
Deferred tax charge/(credit)	(1,716,556)	618,101
Tax of prior period	-	13,033,896
	<u>43,328,019</u>	<u>52,751,997</u>
23 Earnings Per Share ('EPS')		
Weighted average number of shares outstanding during the period:	192,017,455	192,017,455
Add: Dilutive effect of stock options	76,470	76,470
Weighted average number of shares used to compute diluted EPS	<u>192,093,925</u>	<u>192,093,925</u>
Net profit after tax attributable to equity shareholders	440,145,684	259,905,208
Earnings per share:		
Basic and diluted	2.29	1.35
Nominal value per equity share	<u>5.00</u>	<u>5.00</u>

Note:

In the Extraordinary General Meeting of the members held on December 23, 2006, the members of the Company approved the split of its equity shares from a face value of Rs 100 per share to Rs 5 per equity share. Further, the members also approved a bonus issue of eleven equity shares for every equity share held on that date.

24 Stock-based compensation

On 1 July, 2006, the members of the Company approved the Puravankara Projects Limited 2006 Employee Stock Option Scheme ('ESOS' or 'the Plan') of the Company. The plan provides for the issuance of stock options to eligible employees (including directors of the Company) with the total options issuable under the Plan not to exceed 1,366,080 options and includes a limit for the maximum and minimum number of options that may be granted to each employee. Under the plan, these options vest over a period of four years and can be exercised for a period of one year from vesting.

The Company has adopted the provisions of the Guidance Note on - Accounting for Employee Share-based Payments ('the Guidance Note') issued by the ICAI. The disclosures for the quarter ended June 30, 2007 have been provided below

The weighted average exercise price for options movement during the quarter ended June 30, 2007 is as follows:

30 June 2007		
	Shares arising out of options (Numbers)	Weighted average exercise price Rs
Outstanding as at 1 April 2007		
Granted during the period	966,000	465.86
Forfeited during the period	-	-
Lapsed during the period	-	-
Cancelled during the period	-	-
Exercised during the period	-	-
Outstanding as at 30 June 2007	966,000	465.86

The weighted average exercise price of the options outstanding at June 30, 2007 was Rs 465.86 and they had weighted average remaining contractual life of 42 months.

Had compensation cost been determined in a manner consistent with the fair value approach as prescribed under the fair value method prescribed by the Guidance Note, the Company's net profit and earnings per share as reported would have been adjusted to the pro-forma amounts indicated below:

	Quarter ended 30 June 2007
	Rs.
Net profit, as reported	440,145,684
Add: Stock-based employee compensation expense included in the Profit and loss account	-
Less: Stock based employee compensation expense determined under the fair value method	(7,269,506)
Proforma net income	432,876,178
Earnings per share – Basic	
As reported	2.29
Pro forma	2.25
Earnings per share – Diluted	
As reported	2.29
Pro forma	2.25

The fair value of the options granted is determined on the date of the grant using the Black-Scholes option pricing model with the following assumptions:

Dividend yield %	1.58%
Expected life	33 to 63 months
Risk free interest rate	7.41% to 7.50%
Volatility	1.58%

25 Leases*Properties taken on operating leases*

The lease expense for cancellable and non-cancellable operating leases during the quarter ended 30 June 2007 was Rs. 8,420,305 (30 June 2006 – Rs.3,388,344)

Sublease

The Company has sub let one of the properties under a non cancellable operating lease agreement, cancellable with prior notice. These lease agreements are for the period ranging between 1 to 3 years. Lease income during the period ended 30 June 2007 was Rs. 6,843,046 (30 Jun 2006 : Rs.4,851,715). Minimum amount of future lease rental receivable under these agreements are:

Particulars	Quarter Ended 30 June 2007	Quarter Ended 30 June 2006
	Rs.	Rs.
a) Within one year	16,572,899	3,634,772
b) Within one to three years	-	-
Total	<u>16,572,899</u>	<u>3,634,772</u>

26 Other commitments and contingencies

(a) Show cause notices received from various authorities	8,200,000	-
(b) Bank guarantees	61,600,000	-
(c) Capital commitments	<u>836,755</u>	<u>-</u>

The Company is also involved in certain litigation for lands acquired by it for construction purposes, either through a Joint Development Agreement or through outright purchases. These cases are pending with the Civil Courts and scheduled for hearings shortly. However, based on the documentation available with the Company and legal advice received, management believes that these cases will not adversely effect its financial statements.

27 Related party transactions*i. Parties where control exists*

Parties where control exists include

Key Management Personnel:

Mr. Ravi Puravankara
Mr. Nani R Choksey
Mr. Girish Puravankara

Relative of Key Management Personnel:

Ms Geeta S Vhatkar
Mr. Satish Puravankara
Mr. Ashish Puravankara
Ms. Jasbir Sabuwala

Entities controlled by Key Management Personnel (Other related parties):

Purva Developments
Uniquepark Constructions Private Limited
Unique Constructions
Welworth
Puravankara Constructions
Handiman Services Private Limited
Dealwel – Proprietorship
Dealwel Finance Corporation

ii. *Transactions with related parties during the period*

Parties with whom transactions have taken place during the period include:

Key Management Personnel

Mr. Ravi Puravankara

Mr. Nani R Choksey

Mr. Girish Puravankara

Relatives of Key Management Personnel:

Mr. Satish Puravankara

Ms. Jasbir Sabuwala

Ms Geeta S Vhatkar

Mr. Ashish Puravankara

Associates:

Keppel Puravankara Development Private Limited

Propmart Technologies Limited

Magus Bengal Developers Private Ltd

Entities controlled by Key Management Personnel (Other related parties):

Puravankara Constructions

Handiman Services Private Limited

The transactions with related parties for the current quarter are as follows:

Nature of Transaction	Associates	Key Management Personnel	Relatives of Key Management Personnel	Other Related Parties	Total
Interest income on loans	7,988,122	-	-	-	7,988,122
Loans repaid	221,186,000	-	-	-	221,186,000
Security and Maintenance charges incurred	-	-	-	10,739,623	10,739,623
Advance for purchase of apartments	1,773,060	-	-	-	1,773,060
Investments	221,186,000	-	-	-	221,186,000
Remuneration	-	6,568,749	907,803	-	7,476,552
Rental expenses incurred	-	-	-	1,800,000	1,800,000
Balances: :					
Loans given	232,603,535	-	-	-	232,603,535
Dues to related parties	-	243,230,232	-	-	243,230,232
Advances for land contracts	-	-	185,184,060	-	185,184,060

The transactions with related parties for the previous current quarter are as follows:

Nature of Transaction	Associates	Key Management Personnel	Relatives of Key Management Personnel	Other Related Parties	Total
Interest Income on loans	6,923,780	-	-	-	6,923,780
Loans taken	-	-	-	19,995,000	19,995,000
Loans repaid	16,360,706	-	-	-	16,360,706
Security and Maintenance Charges incurred	-	-	-	6,345,866	6,345,866
Remuneration	-	3,531,000	82,800	-	3,613,800
Balances					
Loans given	322,747,055	-	-	-	338,957,761
Dues to related parties	-	476,535	-	-	476,535
Advances for land contracts	-	-	-	-	-

28 Employee benefits**A. Defined benefits plan**

The Company has gratuity and vacation pay as defined benefit retirement plans for its employees. Disclosures as required by Revised AS 15 for the period ended 30 June 2007 are as under:

	Gratuity	Vacation Pay
	Rs.	
1 The amounts recognised in the balance sheet are as follows:		
Present value of the obligation as at the end of the period	7,197,478	6,722,817
Fair value of plan assets as at the end of the period	(4,270,113)	-
Net liability/(asset) recognised in the balance sheet	2,587,365	6,722,817
2 The amounts recognised in the Profit and loss account are as follows:		
Service cost	2,458,745	962,578
Interest cost	94,408	114,105
Expected return on plan assets	(89,894)	-
Net actuarial (gain)/loss recognized in the period	(101,618)	(59,105)
Expense recognized in the Profit and loss account of the period	2,361,641	1,017,578
3 Changes in the present value of defined benefit obligation		
Defined benefit obligation as at 1 April 2007	4,720,404	5,705,239
Service cost	2,458,745	962,578
Interest cost	94,408	114,105
Actuarial losses/(gains)	(76,079)	(59,105)
Benefits paid	-	-
Defined benefit obligation as at 30 June 2007	7,197,478	6,722,817
4 Changes in the fair value of plan assets		
Fair value as at 1 April 2007	4,494,680	-
Expected return on plan assets	89,894	-
Actuarial (loss)/ gains	25,539	-
Contributions	-	-
Benefits paid	-	-
Fair value as at 30 June 2007	4,610,113	-

Assumptions used in the above valuations are as under:

Interest rate	8%	8%
Discount rate	8%	8%
Expected return on plan assets	8%	8%
Future salary increase	6%	6%
Attrition rate	5%	5%
Retirement age	60	60

Since this is the first year of implementation of AS 15, revised details for previous year have not been provided.

B. Defined contributions plan

The Company makes contribution of statutory provident fund as per Employees Provident Fund and Miscellaneous Provision Act, 1952. This is a defined contribution plan as per Revised AS 15. Contribution made during the Quarter ended June, 2007 is Rs.2,319,893 (quarter ended June 2006 Rs.903,331).

29 Segmental Information

The Company is engaged in the development and construction of residential and commercial properties which is considered to be the only reportable business segment as per Accounting standard 17 on "Segment Reporting". The Company operates primarily in India and there is no other significant geographical segment.

30 Others

On 29 December 2006, the Company has applied, suo-moto, for a post-facto approval of transactions requiring Central Government approval which are summarized below:

Contracts with parties where certain directors of the Company are interested and these transactions are covered under the purview of Section 297 of the Companies Act, 1956.

31 Prior year comparatives

Prior period comparatives have been regrouped / reclassified wherever necessary to conform to the presentation in the current period.

For and on behalf of the Board of Directors

Ravi Puravankara
Chairman and Managing Director

Nani R Choksey
Director

Ravi Ramu
Director

Sharda Balaji
Company Secretary

Bangalore

Consolidated Cash Flow Statement

	period ended 30 June 2007	period ended 30 June 2006
	Rs.	Rs.
A. Cash flow from operating activities		
Net profit before taxation	483,473,703	312,657,205
Adjustments for:		
Depreciation and amortisation	9,449,935	5,461,023
Profit share in Associates	(83,777,885)	(12,122,246)
Interest income	(9,353,469)	(8,136,545)
Interest expense	241,244,469	50,177,433
Operating profit before working capital changes	641,036,753	348,036,869
Movements in working capital :		
Decrease in trade debtors	208,259,640	4,351,185
Decrease in inventories	(66,422,828)	126,014,833
Decrease in margin money deposits	(25,001,603)	(12,919,163)
(Increase) in loans and advances	125,712,154	(367,962,319)
(Increase) in properties under development	(770,160,500)	12,237,768
(Increase) in properties held for sale	(4,211,976)	(863,960)
Increase in current liabilities and provisions	31,871,939	11,467,648
Cash used in operations	141,083,580	120,362,861
Direct taxes paid	(58,581,794)	(29,874,559)
Net cash used in operating activities	82,501,786	90,488,302
B. Cash flows from investing activities		
Purchase of fixed assets and increase in Capital Work-In-Progress	(40,938,795)	(2,031,254)
Loans to associates	216,594,526	16,210,706
Investment in Associates	(221,186,000)	-
Proceeds from sale of fixed assets	-	-
Loans to Subsidiaries	-	-
Properties held for development	(501,120,162)	(1,049,428,211)
Interest received	1,365,347	8,136,545
Net cash used in investing activities	(545,285,084)	(1,027,112,214)
C. Cash flows from financing activities		
Proceeds from long-term borrowings	1,945,716,252	390,000,000
Repayment of long-term borrowings	(1,055,101,730)	(242,619,468)
Proceeds from short-term borrowings	(177,419,797)	333,876,291
Dues to related parties	-	(20,749,078)
Dividend paid including taxes	-	-
Interest paid	(230,659,359)	(57,523,394)
Proceeds from issuance of equity shares.	-	-
Net cash generated from financing activities	482,535,366	888,223,287
Net increase in cash and cash equivalents (A + B + C)	19,752,068	(48,400,625)
Cash and cash equivalents at the beginning of the period	365,018,963	424,625,152
Cash and cash equivalents at the end of the period	384,771,031	376,224,527
Components of cash and cash equivalents:		
Cash and bank balances	418,410,873	408,697,205
Less: Bank deposits and margin monies considered separately (Refer note below).	33,639,842	32,472,677
	384,771,031	376,224,527

Note

(a) The Group considers all highly liquid investments with a remaining maturity, at the date of purchase/investment, of three months or less to be cash equivalents.

This is the consolidated cash flow statement referred to in our report of even date.

For Walker Chandio & Co.
Chartered Accountants

For and on behalf of the Board of Directors.

Aashish Arjun Singh
Partner

Ravi Puravankara
Chairman and
Managing Director

Nani R Choksey
Director

Ravi Ramu
Director

Sharda Balaji
Company
Secretary

Membership No. 210122

Bangalore

Bangalore