

**PURA VANKARA PROJECTS LIMITED**  
**CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES**

*(Amounts in Rupees millions)*

	Particulars	As at 31 March				
		2007	2006	2005	2004	2003
<b>(A)</b>	<b>Fixed Assets</b>					
	Cost	443.15	211.15	99.05	81.43	45.94
	Less: Accumulated depreciation	61.21	35.98	20.07	10.95	6.45
		<b>381.94</b>	<b>175.17</b>	<b>78.98</b>	<b>70.48</b>	<b>39.49</b>
	Capital work in progress	7.11	-	-	-	-
	<b>Net Book Value</b>	<b>389.05</b>	<b>175.17</b>	<b>78.98</b>	<b>70.48</b>	<b>39.49</b>
<b>(B)</b>	<b>Investments</b>	<b>371.48</b>	<b>231.41</b>	-	-	-
<b>(C)</b>	<b>Properties held for development</b>	<b>7,007.54</b>	<b>3,067.63</b>	<b>615.86</b>	<b>234.85</b>	<b>103.95</b>
<b>(D)</b>	<b>Current Assets, Loans and Advances</b>					
	Cash and bank balances	373.66	444.18	419.54	144.77	54.66
	Inventories	159.48	191.27	-	-	-
	Trade debtors	458.82	446.42	199.81	110.99	64.45
	Properties under development	2,471.16	1,577.06	1,536.32	456.99	143.87
	Properties held for sale	515.36	200.70	195.05	220.18	225.31
	Loans and advances	2,296.12	1,185.90	465.43	164.64	86.13
		<b>6,274.60</b>	<b>4,045.53</b>	<b>2,816.15</b>	<b>1,097.57</b>	<b>574.42</b>
<b>(E)</b>	<b>Liabilities and Provisions</b>					
	Secured loans	6,761.10	1,621.95	1,006.76	704.04	236.15
	Current liabilities	4,836.70	4,641.57	1,981.21	378.01	304.66
	Provisions	216.53	140.63	5.80	49.37	14.77
	Deferred tax liability, net	10.71	1.40	1.18	-	-
		<b>11,825.04</b>	<b>6,405.55</b>	<b>2,994.95</b>	<b>1,131.42</b>	<b>555.58</b>
	<b>Net Worth (A+B+C+D-E)</b>	<b>2,217.63</b>	<b>1,114.19</b>	<b>516.04</b>	<b>271.48</b>	<b>162.28</b>
	<b>Represented by:</b>					
<b>(F)</b>	Share capital	960.09	80.00	80.00	80.00	80.00
<b>(G)</b>	Reserves	1,257.54	1,034.19	436.04	191.48	82.28
<b>(H)</b>	Minority interest	-	-	-	-	-
	<b>Net Worth (F+G+H)</b>	<b>2,217.63</b>	<b>1,114.19</b>	<b>516.04</b>	<b>271.48</b>	<b>162.28</b>

**PURAVANKARA PROJECTS LIMITED**  
**CONSOLIDATED STATEMENT OF PROFITS AND LOSSES**

(Amounts in Rupees millions)

Particulars	For the year ended 31 March				
	2007	2006	2005	2004	2003
<b>Income</b>					
Revenues					
- from projects	4,142.78	2,781.49	1,497.32	761.47	413.52
- Rental income	21.02	13.51	6.82	0.28	-
- Income from interiors	4.81	2.04	6.14	2.06	-
	4,168.61	2,797.04	1,510.28	763.81	413.52
Other income	-	7.18	-	-	-
<b>Total income</b>	<b>4,168.61</b>	<b>2,804.22</b>	<b>1,510.28</b>	<b>763.81</b>	<b>413.52</b>
<b>Expenditure</b>					
Cost of revenues	2,412.63	1,640.02	886.19	443.94	257.80
Selling costs	216.85	164.67	100.86	32.17	19.27
General and administrative expenses	203.55	101.41	57.59	38.61	23.85
Finance charges	12.27	72.04	61.33	84.68	21.99
<b>Total expenditure</b>	<b>2,845.30</b>	<b>1,978.14</b>	<b>1,105.97</b>	<b>599.40</b>	<b>322.91</b>
<b>Profit for the year before profit/(loss) share of associates, taxes and adjustments</b>	<b>1,323.31</b>	<b>826.08</b>	<b>404.31</b>	<b>164.41</b>	<b>90.61</b>
Profit/(loss) share of associates	140.07	10.98	-	-	(23.35)
<b>Profit before tax and adjustments</b>	<b>1463.38</b>	<b>837.06</b>	<b>404.31</b>	<b>164.41</b>	<b>67.26</b>
Provision for tax					
- Current tax	150.04	70.48	32.20	12.60	7.23
- Deferred tax	9.32	0.22	1.18	-	-
- Prior years	13.03	-	-	-	1.49
	172.39	70.70	33.38	12.60	8.72
<b>Net Profit before adjustments</b>	<b>1290.99</b>	<b>766.36</b>	<b>370.93</b>	<b>151.81</b>	<b>58.54</b>
<b>Adjustments</b>					
<b>Increase/(decrease) in net profits</b>					
Impact of change in method of depreciation (refer note 1 In Annexure 4)	-	(18.34)	9.31	2.62	4.91
Provision for income-taxes (refer note 2 In Annexure 4)	13.03	(13.03)	-	-	1.49
<b>Total difference due to adjustments</b>	<b>13.03</b>	<b>(31.37)</b>	<b>9.31</b>	<b>2.62</b>	<b>6.40</b>
<b>Net profit as restated</b>	<b>1,304.02</b>	<b>734.99</b>	<b>380.24</b>	<b>154.43</b>	<b>64.94</b>

**PURAVANKARA PROJECTS LIMITED**  
**STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**

**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 financial year-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. Cost of fixed assets also includes exchange differences arising in respect of foreign currency loans or other liabilities incurred for the purpose of their acquisition or construction. 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. Leasehold improvements are amortized over the primary period of the lease.

#### *i. Impairment of assets*

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.

#### *j. 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.

#### *k. 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.

*l. 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.

*m. 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 services are rendered by the employee.

*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. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

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 services are rendered by the employees.

*n. 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).

o. *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.

p. *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.

q. *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 31 March 2007 comprise the entities listed below:

<b>Name of the Entity</b>	<b>Country of Incorporation</b>	<b>Effective Shareholding</b>
<b><i>Overseas Subsidiary Companies</i></b>		
Puravankara Holdings Lanka Private Limited	Sri Lanka	100%
Puravankara Projects Lanka Private Limited	Sri Lanka	100%
Purva Corporation	British Virgin Islands	100%
<b><i>Indian Subsidiary Companies</i></b>		
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%
<b><i>Associate Companies</i></b>		
Keppel Puravankara Development Private Limited	India	49 %
Propmart Technologies Limited	India	32.83%