

## **Report of the Independent Auditors, KPMG Audit LLC, to the members of Unitech Corporate Parks PLC**

We have audited the Group and Parent Company financial statements ("the financial statements") of Unitech Corporate Parks PLC for the period from 6 September 2006 (date of incorporation) to 31 March 2007 which comprise the Consolidated Income Statement, the Consolidated and Parent Company Balance Sheets, the Consolidated and Parent Company Statements of Changes in Equity and the Consolidated Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with section 15 of the Companies Act 1982. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### ***Respective responsibilities of Directors and Auditors***

The Directors' responsibilities for preparing the financial statements in accordance with applicable Isle of Man company law and International Financial Reporting Standards will be set out in the Statement of Directors' Responsibilities in the Company's Consolidated Financial Statements.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with Isle of Man Companies Acts 1931 to 2004. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the Company, has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding the Directors' transactions with the Company is not disclosed.

We read the Directors' Report and any other information accompanying the financial statements and consider the implications for our report if we become aware of any apparent misstatements or inconsistencies within it.

### ***Basis of opinion***

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the UK Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

### ***Opinion***

In our opinion:

- the financial statements give a true and fair view, in accordance with International Financial Reporting Standards, of the state of the Group's and Parent Company's affairs as at 31 March 2007 and of the Group's loss for the period then ended;
- the financial statements have been properly prepared in accordance with the Isle of Man Companies Acts 1931 to 2004; and
- the information given in the Directors' Report is consistent with the financial statements.

**KPMG Audit LLC**  
**Chartered Accountants**  
**Douglas, Isle of Man**  
**7 August 2007**

# UNITECH CORPORATE PARKS PLC

## Consolidated Income Statement for the period from 6 September 2006 to 31 March 2007

	Notes	£
<b>Income</b>		
Interest income		<u>2,703,121</u>
		<u>2,703,121</u>
<b>Expenditure</b>	4	
Management fee		1,407,976
Administration and accounting fees		44,974
Directors' fees		63,309
Audit fees		25,376
Other operating expenses		<u>138,131</u>
		<u>1,679,766</u>
<b>Operating profit for the period</b>		1,023,355
<b>Finance costs</b>		(742,024)
		<hr/>
<b>Profit for the period before taxation</b>		281,331
Taxation	10	(325,636)
		<hr/>
<b>Net loss for the period after tax and carried forward</b>		<u>(44,305)</u>
<b>Loss per share</b>	12	<u>(0.01)p</u>

The notes below form an integral part of these financial statements.

# UNITECH CORPORATE PARKS PLC

## Consolidated and Company Balance Sheets as at 31 March 2007

	Note	Group £	Company £
<b>Assets</b>			
<b>Non-current assets</b>			
Investment in subsidiary	15	-	317,000,000
Property, plant and equipment	7	331,817,304	-
Intangible assets – goodwill	8	34,633,986	-
Deferred tax asset	10	43,863	-
		<u>366,495,153</u>	<u>317,000,000</u>
<b>Current assets</b>			
Trade and other receivables		3,463,831	106,685
Cash at bank and brokers		110,210,552	30,067,380
		<u>113,674,383</u>	<u>30,174,065</u>
<b>Total assets</b>		<u>480,169,536</u>	<u>347,174,065</u>
<b>Financed by:</b>			
<b>Equity and liabilities</b>			
<b>Capital and reserves</b>			
Share capital	11	3,600,000	3,600,000
Share premium	11	342,918,991	342,918,991
Translation reserve	11	4,478,399	-
Revaluation reserve	11	15,679,442	-
Retained (loss)/profit		(44,305)	272,455
		<u>366,632,527</u>	<u>346,791,446</u>
<b>Non-current liabilities</b>			
Finance lease liability	13	4,710,494	-
Performance fee provision	4	1,575,000	-
Deferred tax	10	100,413,908	-
		<u>106,699,402</u>	<u>-</u>
<b>Current liabilities</b>			
Finance lease liability	13	892,706	-
Trade and other payables		5,575,402	382,619
Income tax liabilities	10	369,499	-
		<u>6,837,607</u>	<u>382,619</u>
<b>Total liabilities</b>		<u>113,537,009</u>	<u>382,619</u>
<b>Total equity and liabilities</b>		<u>480,169,536</u>	<u>347,174,065</u>

These financial statements were approved by the Board of Directors on 7 August 2007 and signed on their behalf by:

**Aubrey Adams**  
Director

**Donald Lake**  
Director

The notes below form an integral part of these financial statements.

# UNITECH CORPORATE PARKS PLC

## Consolidated and Company Statements of Changes in Equity for the period from 6 September 2006 to 31 March 2007

Group	Share capital £	Share premium £	Translation reserve £	Revaluation reserve £	Retained earnings £	Total £
Issue of shares	3,600,000	356,399,802	-	-	-	359,999,802
Costs incurred in the issue of shares	-	(13,480,811)	-	-	-	(13,480,811)
Currency translation differences on consolidation of subsidiaries and joint ventures	-	-	4,478,399	-	-	4,478,399
Gain on revaluation of investment property under construction	-	-	-	25,979,780	-	25,979,780
Deferred tax arising from revaluation of investment property under construction	-	-	-	(8,725,338)	-	(8,725,338)
Performance fee provision	-	-	-	(1,575,000)	-	(1,575,000)
Loss for the period	-	-	-	-	(44,305)	(44,305)
<b>Balance at 31 March 2007</b>	<b>3,600,000</b>	<b>342,918,991</b>	<b>4,478,399</b>	<b>15,679,442</b>	<b>(44,305)</b>	<b>366,632,527</b>
<b>Company</b>						
Issue of shares	3,600,000	356,399,802	-	-	-	359,999,802
Costs incurred in the issue of shares	-	(13,480,811)	-	-	-	(13,480,811)
Profit for the period	-	-	-	-	272,455	272,455
<b>Balance at 31 March 2007</b>	<b>3,600,000</b>	<b>342,918,991</b>	<b>-</b>	<b>-</b>	<b>272,455</b>	<b>346,791,446</b>

The notes below form an integral part of these financial statements.

# UNITECH CORPORATE PARKS PLC

## Consolidated Cash Flow Statement for the period from 6 September 2006 to 31 March 2007

	<b>Group £</b>
<b>Cash flows from operating activities</b>	
Profit for the period before tax	281,331
Adjustment for:	
Depreciation	291
Interest receivable	(2,703,121)
<b>Operating loss before working capital changes</b>	<u>(2,421,499)</u>
Decrease in trade and other receivables	2,927,847
Increase in trade and other payables	38,860
<b>Net cash flow from operating activities</b>	<u>545,208</u>
<b>Cash flows from investing activities</b>	
Acquisition of interests in joint ventures, net of cash acquired	(226,421,910)
Acquisition of property, plant and equipment	(14,658,169)
Interest received	2,638,418
<b>Net cash outflow from investing activities</b>	<u>(238,441,661)</u>
<b>Cash flows from financing activities</b>	
Proceeds from issuance of share capital	359,999,802
Share issue expenses paid	(13,208,861)
<b>Cash inflow from financing activities</b>	<u>346,790,941</u>
<b>Net increase in cash and cash equivalents</b>	108,894,488
Cash and cash equivalents at beginning of period	-
Exchange difference on cash and cash equivalents	1,316,064
<b>Cash and cash equivalents at end of period</b>	<u>110,210,552</u>

The notes below form an integral part of these financial statements.

# UNITECH CORPORATE PARKS PLC

## Notes to the Consolidated Financial Statements for the period from 6 September 2006 to 31 March 2007

### 1. Reporting entity

Unitech Corporate Parks PLC (the "Company") is a closed-ended investment company domiciled in the Isle of Man. It was incorporated on 6 September 2006 in the Isle of Man as a public limited company and is quoted on the Alternative Investment Market (AIM) operated and regulated by the London Stock Exchange. The consolidated financial statements of the Company comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in jointly controlled entities.

The Company invests in the Indian real estate sector. The Company's strategy is to invest in commercial real estate developed specifically for the high growth IT (Information Technology) and ITES (IT Enabled Services) sectors. The Company intends to focus on investment in Special Economic Zones dedicated to the IT and ITES industries (IT SEZs) or IT Parks which are suitable for foreign direct investment (FDI).

The Company does not have any employees.

### 2. Basis of preparation

#### 2.1 Statement of compliance

The consolidated financial statements have been prepared in accordance with and comply with International Financial Reporting Standards ('IFRS') and the Isle of Man Companies Acts 1931-2004.

In accordance with the provisions of Section 3 of the Isle of Man Companies Act 1982, no separate income statement has been presented for the Company.

#### 2.2 Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except that investment property under construction is measured at fair value.

#### 2.3 Functional and presentation currency

These consolidated financial statements are presented in British pounds, which is the Company's functional currency.

#### 2.4 Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in Note 6: Determination of Fair Value and Note 4: Management Fees.

### 3. Significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below:

#### 3.1 Basis of consolidation

##### (a) *Subsidiaries*

Subsidiaries are those entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

*(b) Joint Ventures*

Joint ventures are those entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions. Joint ventures are accounted for by proportionate consolidation. The Group combines its share of the joint ventures' individual income and expenses, assets and liabilities and cash flows on a line-by-line basis with similar items in the Group's financial statements.

*(c) Transactions eliminated on consolidation*

Intra-group balances, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

### **3.2 Foreign currency**

*(a) Foreign currency transactions*

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. Exchange differences arising on translation are recognised in the income statement.

*(b) Foreign operations*

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to British pounds at exchange rates at the reporting date. The income and expenses of foreign operations are translated to British pounds at exchange rates at the dates of the transactions. Exchange differences arising on translation of foreign operations are taken to the translation reserve. On disposal of a foreign operation, in part or in full, the relevant amount in the translation reserve is transferred to profit or loss reserve.

### **3.3 Property, plant and equipment**

*(a) Investment property under construction*

Investment property under construction is measured initially at its cost, including related transaction costs. After initial recognition, investment property under construction is carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. The valuation of the properties has been carried out by Jones Lang LaSalle (Independent professionally qualified valuers) as of 31 March 2007. Gains and losses arising from the revaluation of investment properties under construction are taken to equity.

*(b) Plant and equipment*

Plant and equipment are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditures that are directly attributable to the acquisition of the asset.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement in the financial period in which they are incurred.

*(c) Depreciation*

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each item of plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. Investment property under construction is not depreciated.

The estimated useful lives are as follows:

Plant and machinery	14 years
Fixtures and fittings	16 years.

### **3.4 Intangible assets - goodwill**

Goodwill represents the difference between the cost of an acquisition and the fair value of the Group's share of the net assets of the acquired subsidiary or joint venture at the effective date of acquisition. Goodwill on acquisition of subsidiaries and joint ventures is included in intangible assets. Goodwill is tested annually for impairment and carried at cost less accumulated impairment.

The gain or loss on disposal of subsidiaries and joint ventures is calculated by reference to the Group's share of net assets at the date of disposal including the attributable amount of any goodwill remaining.

### **3.5 Finance leases**

Lease of assets where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments, comprising of lease premium and annual lease rentals and stamp duty, if any, forms part of the initial cost of the property interest. Each lease payment is allocated between the liability and finance charges, where applicable, so as to achieve a constant rate on the final balance outstanding. The corresponding rental obligations, net of finance charges, are included in current and non-current liabilities. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Investment properties under construction acquired under finance leases are carried at their fair value.

### **3.6 Interest income**

Interest income comprises bank interest earned on uninvested funds and is recognised on an accruals basis.

### **3.7 Expenses**

Expenses are accounted for on an accruals basis.

### **3.8 Finance costs**

Finance costs comprise interest expense on lease payments.

### **3.9 Income tax expense**

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary timing differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that they probably will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary timing differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

### **3.10 Earnings per share**

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

### **3.11 Cash and cash equivalents**

Cash and cash equivalents comprises cash balances and call deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

### **3.12 Segment reporting**

A segment is a distinguishable component of the Group that is engaged either in providing related products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

The Group invests in a single geographic region and has a single business segment.

#### **4. Management fee**

Nectrus Limited, the Investment Manager, and an affiliate of the Unitech Group, receives a management fee equivalent to 2 per cent per annum of the Company's average invested equity capital paid quarterly in arrears.

In addition the Group pays the Investment Manager a performance fee calculated by reference to the amount by which the internal rate of return on an investment project (Project IRR) exceeds certain benchmarks. The Investment Manager receives:

- a performance fee of 20 per cent of that part of the net cash flow generated in respect of a project that results in a Project IRR greater than 10 per cent and less than or equal to 20 per cent; and
- a performance fee of 30 per cent of that part of the net cash flow generated in respect of a project that resulted in a Project IRR greater than 20 per cent; minus
- any performance fees previously paid in respect of the relevant project.

The provision for performance fees at the period end has been determined based on an estimated IRR of 20 per cent across all projects.

#### **5. Financial risk management**

##### **5.1 Financial risk factors**

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, price risk and cash flow interest rate risk), credit risk and liquidity risk. The risk management policies employed by the Company to manage these risks are discussed below.

##### **5.2 Market risk**

###### **(i) Risks relating to real estate and investment property development in India**

Political, economic and social factors, changes in Indian law or regulations and the status of India's relations with other countries may adversely affect the value of the Company's assets.

The performance of the Group is dependent on the state of the Indian property market and its ability to acquire interest in development projects, develop the projects, lease the developments at attractive rentals and/or sell the developments. The market value and rental rates for properties is generally affected by overall conditions in the economy, such as growth in and absolute levels of GDP, employment trends, inflation and changes in interest rates. Market value can also be affected by regional or local conditions and the Group's current development projects are mainly concentrated in the National Capital Region.

The Group focuses on development of real estate for the IT and ITES industries which are dependent on the continued popularity of business process outsourcing, principally by businesses located in Western Europe and North America. Competitive pressure from other countries providing similar services, reduction or removal of tax incentives and changes in government policy with regard to foreign direct investment may impact the results of the Company adversely.

The construction work at all of the Group's development projects is performed by third party contractors and the Group is reliant on such contractors performing these services in accordance with the relevant construction contracts. If the contractors fail to perform their obligations in a manner consistent with their contracts, the development projects may not be completed as and when envisaged, which may lead to unexpected costs. The Group has entered into a Project Management Agreement with Unitech Limited, its co-investor and India's largest listed property developer (by market capitalisation), under which Unitech Limited is engaged to provide property management services in respect of each of the investment properties under construction.

The Group is exposed to fluctuations in the prices of raw materials and components used in its construction projects. These commodities include steel, cement and timber. The costs of components and various small parts sourced from outside manufacturers may also fluctuate based on their availability from suppliers. Notwithstanding the Group's intention to protect itself against any increases in such costs by entering into fixed price construction contracts, nonetheless, the Group has a residual exposure to any such increases.

## **(ii) Foreign currency risk**

The Company's principal operating currency will be Pounds but substantially all of its income and expenditure are expected to be denominated in currencies other than Pounds, primarily the Rupee. All monies returned to shareholders and the reported net asset value of the Company will be denominated in Pounds. Consequently, the Company's performance will be subject to the effect of exchange rate fluctuations with respect to the currencies in which its income and expenditure are denominated. Where feasible and, as appropriate the Company intends to finance assets using local currency denominated financing.

The Group's currency exposure as at 31 March 2007 was as follows:

	£
British pounds	30,809,060
Indian rupees	335,823,647
Net assets	<u>366,632,527</u>

## **(iii) Interest rate risk**

The Group holds financial assets and liabilities that are interest bearing; as a result the Group is subject to interest rate risk due to fluctuations in the prevailing levels of market interest rates. Any excess cash and cash equivalents are invested at short-term market interest rates.

The effective rate of interest on the Group's finance lease liabilities is 10% per annum.

### **5.3 Credit risk**

The Group has no significant concentrations of credit risk.

### **5.4 Liquidity risk**

The Company has retained approximately £30 million in cash in order to meet the future management fees and operating expenses of the Group.

## **6. Determination of fair values**

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods.

### **6.1 Investment properties under construction**

The best evidence of fair value is current prices in an active market for similar lease and other contracts. The Company has appointed Jones Lang LaSalle (an international firm of valuers) as its valuers for the purpose of determining the fair value of investment properties under construction. The valuation is undertaken twice yearly at 31 March and 30 September.

### **6.2 Assets and liabilities on acquisition of subsidiaries and joint ventures**

The fair value of assets and liabilities acquired as a result of a business combination is based on market values. The market value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The market value of items of plant, equipment, fixtures and fittings is based on quoted market prices for similar items.

## 7. Property, plant and equipment

	Investment properties under construction at valuation £	Plant and machinery £	Fixtures and fittings £	Total £
<b>Value, cost or deemed cost</b>				
Balance at 6 September 2006	-	-	-	-
Acquisition through business combinations	286,438,069	8,438	618	286,447,125
Additions	14,549,497	108,357	315	14,658,169
Revaluation of investment properties under construction	25,979,780	-	-	25,979,780
Effect of movements in exchange rates	4,732,441	70	10	4,732,521
Balance at 31 March 2007	<u>331,699,787</u>	<u>116,865</u>	<u>943</u>	<u>331,817,595</u>
<b>Depreciation</b>				
Balance at 6 September 2006	-	-	-	-
Depreciation for the period	-	273	18	291
Balance at 31 March 2007	<u>-</u>	<u>273</u>	<u>18</u>	<u>291</u>
<b>Carrying amounts</b>				
At 6 September 2006	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
At 31 March 2007	<u>331,699,787</u>	<u>116,592</u>	<u>925</u>	<u>331,817,304</u>

The net book value, at cost, of investment properties under construction was £300,987,566 at the reporting date.

Investment properties under construction were valued at market value in accordance with the RICS Appraisal and Valuation Standards by Jones Lang LaSalle at 31 March 2007.

With the exception of the site being developed by Unitech Developers and Projects Limited ("UDPL") all land is held freehold or under long leaseholds. The site being developed by UDPL is owned by Gurgaon InfoSpace Limited ("GIL"). Under the terms of a Joint Development Agreement GIL has granted development rights over the site to UDPL. In consideration for development of the project at Gurgaon, UDPL is entitled to receive 72 per cent of the gross proceeds arising from the sale or lease of the developed areas. UDPL has agreed to incur all construction and fit-out costs in respect of the development.

## 8. Intangible assets - goodwill

	£
<b>Cost</b>	
Balance at 6 September 2006	-
Arising on acquisition of interests in joint ventures	34,633,986
Balance at 31 March 2007	<u>34,633,986</u>

There was no impairment of goodwill as at the reporting date.

## 9. Acquisition of interests in joint ventures

The fair value of assets and liabilities acquired on acquisition of interests in joint ventures during the period was as follows:

	Net book value £	Adjustments £	Fair value £
Property, plant and equipment	12,899,568	273,547,557	286,447,125
Deferred tax liability	-	(90,157,663)	(90,157,663)
Cash and cash equivalents	88,353,009	-	88,353,009
Other assets less liabilities	(4,501,538)	-	(4,501,538)
Net identifiable assets and liabilities	<u>96,751,039</u>	<u>183,389,894</u>	<u>280,140,933</u>
Goodwill on acquisition of joint ventures			<u>34,633,986</u>
Consideration paid, satisfied in cash			314,774,919
Cash acquired			<u>(88,353,009)</u>
Net cash outflow			<u>226,421,910</u>

## 10. Taxation

A standard zero per cent rate of income tax applies for Isle of Man companies (except in relation to profits arising from banking, or from land and property in the Isle of Man). The Company is required to pay an annual corporate charge, currently £250.

The Mauritius subsidiaries are subject to taxation at 15 per cent on dividends received from the joint venture companies however a foreign tax credit will be available reducing the tax rate to 3 per cent. The Mauritius subsidiaries are not expected to have any liability to capital gains tax.

The joint venture companies are subject to corporate taxation in India at the rate of 33.66 per cent on their net income and short term gains.

### Income tax expense in the income statement:

	£
Current tax in joint ventures	369,499
Deferred tax arising on operating losses	<u>(43,863)</u>
	<u>325,636</u>

### Deferred tax assets and liabilities as at 31 March 2007:

	£
<i>Deferred tax assets</i>	
Arising on net operating losses in subsidiary companies	<u>43,863</u>
<i>Deferred tax liabilities</i>	
Arising on revaluation of investment properties under construction	<u>(100,413,908)</u>

Deferred tax arising on the revaluation of investment properties under construction has been provided for at the reporting date as Indian capital gains tax would be payable in the event that the property was sold. The Company does not intend that any taxation charge will arise since any disposal would be effected by way of a sale of the Group's interest in the joint venture.

## 11. Share capital and reserves

### 11.1 Share capital

	Number	£
<i>Ordinary shares of par value £0.01 each</i>		
Authorised	<u>500,000,000</u>	<u>5,000,000</u>
Issued	<u>360,000,000</u>	<u>3,600,000</u>

The Company was incorporated on 6 September 2006 with an authorised share capital of £2,000 comprising 2,000 ordinary shares of £1.00 each, of which two shares were issued. On 14 December 2006 the share capital of the Company was sub-divided into 200,000 shares of £0.01 each and the authorised share capital increased to £50,000, comprising 500,000,000 shares of £0.01 each. On 20 December the Company was admitted to AIM and, by way of a private placing, a further 359,999,800 ordinary shares of par value £0.01 each were issued at a price of £1.00 each.

### 11.2 Share premium

Costs totalling £13,480,811 associated with the placement of shares have been charged against the share premium received on the issue of the shares.

### 11.3 Translation reserve

The translation reserve comprises foreign currency differences arising from the translation of the financial statements of foreign operations.

### 11.4 Revaluation reserve

The revaluation reserve comprises gains arising on the revaluation of investment properties under construction to their fair value at the reporting date, net of related deferred tax and a provision for performance fees.

## 12. Loss per share

The calculation of loss per share at 31 March 2007 of 0.01p is based on the net loss attributable to ordinary shareholders of £44,305 and a weighted average number of ordinary shares outstanding of 360,000,000. The Company has no dilutive potential ordinary shares; the dilutive earnings per share is the same as the basic earnings per share.

The Company's modified earnings per share after including net gains of £15,679,442 for the period which have been taken directly to revaluation reserves was 4.3p.

## 13. Finance lease liabilities

Finance lease liabilities are payable as follows:

	£
Less than one year	892,706
Between one and five years	3,122,446
More than five years	1,588,048
	<u>5,603,200</u>

The New Okhla Industrial Development Area (Noida) authority has allotted Shantiniketan Properties Limited a leasehold title to a 19.3 acre site in Noida for 90 years from 24 March 2006 for the purpose of setting up an IT and ITES project on the site. The annual ground lease rent payable is INR 7,349,865 for the first 10 years with a 10 year review cycle.

The Noida authority has allotted Seaview Developers Limited a leasehold title to a 29.7 acre site in Noida for 90 years from 17 February 2006 for the purpose of setting up an IT SEZ at the project site. The annual ground lease rent payable is INR 11,766,000 for the first 10 years with a 10 year review cycle.

The Noida authority has allotted Unitech Infra-Con Limited leasehold title to two sites comprising 74.75 acres in Greater Noida Technical Zone for the purpose of setting up an IT and an IT SEZ. The annual ground lease rents payable for the 90 year leases which commenced 9 June 2006 and 11 August 2006 are INR 3,311,238 and INR 2,488,997 respectively for the first 10 years with a 10 year review cycle.

## 14. Related-party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

Ajay Chandra, a Director of the Company, is also the Managing Director of Unitech Limited.

Nectrus Limited, the Investment Manager to the Company, is an affiliate of the Unitech Group, the Company's co-investor in the investment properties under construction. It receives a management fee and performance fee from the Group as detailed in Note 4.

Unitech Limited, the Company's co-investor, acts as Property Manager for the investment properties under construction and receives fees from the joint ventures.

## 15. Group entities

### 15.1 Subsidiaries

	<b>Country of incorporation</b>	<b>Class of shares</b>	<b>Percentage holding</b>
Candor Investments Limited	Mauritius	Ordinary	100%
Acacia Properties Inc.	Mauritius	Ordinary	100%
Dotterel Estates Limited	Mauritius	Ordinary	100%
Gladiolys Realty Inc.	Mauritius	Ordinary	100%
Myna Holdings Limited	Mauritius	Ordinary	100%
Sparrow Properties Limited	Mauritius	Ordinary	100%
Tulipa Investments Inc.	Mauritius	Ordinary	100%

On 16 November 2006 the Company acquired the entire share capital of Candor Investments Limited for a consideration of US\$1. Prior to its acquisition by the Company, Candor Investments Limited had not traded.

On 28 November 2006 Candor Investments Limited acquired the entire share capital of the six underlying subsidiaries at par for a consideration of US\$1 each. Prior to their acquisition by Candor Investments Limited none of the underlying subsidiaries had traded.

On 10 January 2007 Acacia Properties Inc. acquired a 60% interest in the ordinary share capital and a 100% interest in the preference share capital of Shantiniketan Properties Limited for a consideration of INR 2,630 million.

On 10 January 2007 Dotterel Estates Limited acquired a 60% interest in the ordinary share capital of Seaview Developers Limited for a consideration of INR 4,526 million.

On 29 January 2007 Tulipa Investments Inc. acquired a 60% interest in the ordinary share capital of Unitech Realty Projects Limited for a consideration of INR 6,268 million.

On 11 January 2007 Gladiolys Realty Inc. acquired a 60% interest in the ordinary share capital of Unitech Developers and Projects Limited for a consideration of INR 5,709 million.

On 23 January 2007 Myna Holdings Limited acquired a 60% interest in the ordinary share capital of Unitech Hi-Tech Structures Limited for a consideration of INR 5,167 million.

On 10 January 2007 Sparrow Properties Limited acquired a 60% interest in the ordinary share capital of Unitech Infra-Con Limited for a consideration of INR 2,973 million.

### 15.2 Joint ventures

The following companies have been proportionately consolidated as joint ventures.

	<b>Country of incorporation</b>	<b>Class of shares</b>	<b>Percentage Holding</b>
Shantiniketan Properties Limited	India	Ordinary	60%
Shantiniketan Properties Limited	India	Preference	100%
Seaview Developers Limited	India	Ordinary	60%
Unitech Developers and Projects Limited	India	Ordinary	60%
Unitech Hi-Tech Structures Limited	India	Ordinary	60%
Unitech Infra-Con Limited	India	Ordinary	60%
Unitech Realty Projects Limited	India	Ordinary	60%

The following amounts representing the Group's 60% share of the post-acquisition income and expenses of the joint ventures are included within the income statement.

	£
<b>Income</b>	
Interest income	1,520,266
	<u>1,520,266</u>
<b>Expenses</b>	
Other operating expenses	24,154
	<u>24,154</u>
<b>Net income</b>	1,496,122
<b>Finance costs</b>	(742,024)
<b>Taxation</b>	(369,499)
<b>Net income for the period after taxation</b>	<u>384,589</u>

The following amounts representing the Group's 60% share of the assets and liabilities of the joint ventures at the reporting date are included within the balance sheet.

	£
<b>Assets</b>	
<i>Non-current assets</i>	331,817,304
Property, plant and equipment	<u>331,817,304</u>
<i>Current assets</i>	
Trade and other receivables	3,357,146
Cash at bank	77,233,646
	<u>80,590,792</u>
Total assets	<u>412,408,096</u>
<b>Liabilities</b>	
<i>Non-current liabilities</i>	
Finance lease liability	4,710,494
Deferred tax	100,413,908
	<u>105,124,402</u>
<i>Current liabilities</i>	
Trade and other payables	3,761,681
Income tax liability	369,499
Finance lease liability	892,706
	<u>5,023,886</u>
Total liabilities	<u>110,148,288</u>
<b>Net assets</b>	<u>302,259,808</u>

## 16. Commitments

The Group's share of capital commitments in respect of capital expenditure contracted for by the joint ventures as at 31 March 2007 was £32,422,940.