

Satyam Venture Engineering Services Private Limited
Balance Sheet as at March 31, 2009

(Amount in Rupees)

	Schedule	As at March 31, 2009		As at March 31, 2008	
Sources of Funds:					
Shareholders' Funds					
(a) Capital	1		70,889,600		70,889,600
(b) Reserves and Surplus	2		317,728,247		236,985,716
Loan Funds					
Secured Loans	3		1,450,475		1,154,485
			390,068,322		309,029,801
Application of Funds:					
Fixed Assets					
(a) Gross Block	4	257,686,287		230,714,160	
(b) Less: Depreciation		230,245,614		203,471,044	
(c) Net Block		27,440,673		27,243,116	
(d) Capital Work in progress		170,100	27,610,773	-	27,243,116
Deferred Tax Asset (net)			49,428,788		1,602,790
Current Assets, Loans and Advances					
(a) Sundry Debtors	5	420,460,144		230,647,813	
(b) Cash and Bank Balances	6	354,286,512		243,230,690	
(c) Loans and Advances	7	89,585,948		78,637,536	
		864,332,604		552,516,039	
Less: Current Liabilities and Provisions					
(a) Liabilities	8	522,225,042		252,509,537	
(b) Provisions		29,078,801		19,822,607	
		551,303,843		272,332,144	
Net Current Assets			313,028,761		280,183,895
			390,068,322		309,029,801
Significant accounting Policies and Notes on Accounts	12				

The Schedules referred to above form an integral part of the Balance Sheet.

As per our report of even date attached
for M. Bhaskara Rao & Co.,
Chartered Accountants


M. V. Ramana Murthy
Partner



Hyderabad, December 29, 2009

On behalf of Board of Directors


Director


Chief Executive Officer


Director

Hyderabad, December 29, 2009


Satyam Venture Engineering Services Private Limited
Profit and Loss Account for the year ended March 31, 2009

(Amount in Rupees)

	Schedule	Year ended March 31, 2009	Year ended March 31, 2008
I. Income			
Services - Export		893,946,117	390,315,829
- Domestic		26,979,410	278,590,380
Other Income	9	58,238,297	1,742,316
		979,163,824	670,648,525
II. Expenditure			
Personnel Expenses	10	596,815,098	423,039,072
Operating and Administration Expenses	11	274,316,291	198,161,436
Financial Expenses		1,187,106	967,416
Depreciation		29,328,796	37,334,741
		901,647,291	659,502,665
III. Profit Before Taxation		77,516,533	11,145,860
Provision for Taxation - Current Tax		11,000,000	5,600,000
- Deferred Tax		(17,947,896)	-
- Fringe Benefit Tax		3,600,000	3,744,543
IV. Profit After Taxation		80,864,429	1,801,317
V. Adjustments relating to earlier years {refer note no: 7 of schedule 12 (II)}			
- Current Tax		30,000,000	-
- Deferred Tax		(29,878,102)	-
VI. Net Profit for the year After Adjustments relating to earlier years		80,742,531	1,801,317
VII. Balance brought forward		235,735,716	233,934,399
VIII. Balance carried to Balance Sheet		316,478,247	235,735,716
Earnings Per Share			
Basic and Diluted - after adjustments relating to earlier years		11.39	0.25
No. of Shares used in computing Earnings Per Share			
Basic and Diluted		7,088,960	7,088,960
Significant Accounting Policies and Notes on Accounts	12		

The Schedules referred to above form an integral part of the Profit and Loss Account.

As per our report of even date attached
for M. Bhaskara Rao & Co.,
Chartered Accountants


M. V. Ramana Murthy
Partner



On behalf of Board of Directors


Director


Director


Chief Executive Officer

Hyderabad, December 29, 2009

Hyderabad, December 29, 2009

Satyam Venture Engineering Services Private Limited
Cash Flow Statement for the Year ended March 31, 2009


(Amount in Rupees)

	Year ended March 31, 2009	Year ended March 31, 2008
A. Cash Flow from operating activities:		
Net Profit before taxation and adjustments relating to earlier years	77,516,533	11,145,860
<u>Adjustment for</u>		
Depreciation	29,328,796	37,334,741
Provision for Gratuity and Leave Encashment	9,256,194	5,072,993
Provision for Doubtful debts	35,381,414	-
(Profit) / Loss on sale of fixed assets	(125,096)	2,381
Interest Received	(1,491,336)	(2,813,286)
Financial expenses	1,187,106	967,416
(Gain) / Loss on Exchange fluctuations (net)	(55,946,801)	3,264,313
Operating Profit before Working Capital Changes	95,106,810	54,974,418
<u>Adjustment for Changes in</u>		
Sundry Debtors	(225,193,745)	(15,871,136)
Loans and advances	(33,551,175)	51,269,038
Current Liabilities and Provisions	269,715,505	146,024,156
Cash used in operations	106,077,395	236,396,476
Taxes Paid	(22,696,826)	(104,749,305)
Net cash generated in Operating Activities	83,380,569	131,647,171
B. Cash Flow from Investing Activities:		
Purchase of fixed assets and other capital expenditure	(29,745,825)	(10,216,727)
Proceeds from sale of Fixed Assets	174,468	-
Interest income Received	2,190,925	2,813,286
Net cash used in Investing activities	(27,380,432)	(7,403,441)
C. Cash flow from Financing activities:		
Proceeds from Secured Loans	1,156,000	507,000
Repayment of Secured Loans	(860,010)	(640,108)
Financial expenses	(1,187,106)	(967,416)
Net cash used in Financing Activities	(891,116)	(1,100,524)
Exchange differences on translation of foreign currency cash and cash equivalents	55,946,801	(3,264,313)
Net change in Cash and Cash Equivalents (A+B+C)	111,055,822	119,878,893
Cash and Cash Equivalents as at 1st April (Opening Balance)	243,230,690	123,351,797
Cash and Cash Equivalents as at 31st March (Closing Balance)	354,286,512	243,230,690
NET CASH FLOW	111,055,822	119,878,893

Note:


- 1) The Cash Flow Statement is prepared in accordance with the indirect Method stated in Accounting Standard 3 on Cash Flow Statements and presents the cash flows by operating, investing and financing activities.
- 2) Cash and Cash Equivalents include Rs.6,64,673/- (31.03.2008 : Rs. 5,66,481/-) in Deposits lodged with customs
- 3) Figures in brackets represent cash outflows.
- 4) Notes on accounts stated in Schedule - 12 form an integral part of the Cash Flow Statement.
- 5) Figures of previous year have been regrouped/re-arranged wherever necessary to confirm to the current year presentation.

As per our report of even date attached
for M.Bhaskara Rao & Co.
Chartered Accountants


M. V. Ramana Murthy
Partner



for and on behalf of the Board


Director


Director


Chief Executive Officer

Hyderabad, December 29, 2009

Hyderabad, December 29, 2009

Satyam Venture Engineering Services Private Limited
Schedules forming part of the Balance Sheet

(Amount in Rupees)

	As at March 31,2009		As at March 31,2008	
1. CAPITAL				
Authorised :				
7,500,000 Equity Shares of Rs.10 each		75,000,000		75,000,000
Issued, Subscribed and Paid-up :		70,889,600		70,889,600
7,088,960 Equity Shares of Rs.10 each fully paid-up				
2. RESERVES AND SURPLUS				
Capital Reserve - Investment subsidy				
- As per last balance sheet		1,250,000		1,250,000
(refer note no: 3 of schedule 12 (II))				
Balance in Profit and Loss Account				
-As per Annexed Account		316,478,247		235,735,716
		317,728,247		236,985,716
3. SECURED LOANS				
Vehicle Loans		1,450,475		1,154,485
(Secured by way of hypothecation of vehicles)		1,450,475		1,154,485



V. S.



Satyam Venture Engineering Services Private Limited
Schedules forming part of the Balance Sheet

4. Fixed Assets

Description	Gross Block (At cost)				Depreciation				Net Block	
	As at April 01, 2008	Additions during the year	Deletions during the year	As at March 31, 2009	As at April 01, 2008	For the year	Deletions during the year	As at March 31, 2009	As at March 31, 2009	As at March 31, 2008
	Plant and Machinery (Including Computers and Software)	193,927,719	27,349,423	449,305	217,827,837	168,091,580	25,196,252	449,305	192,838,527	24,989,310
Office Equipment	11,802,525	574,800	64,950	12,312,375	10,290,716	1,483,507	15,578	11,758,645	553,730	1,511,809
Furniture, Fixtures and Interiors	21,685,694	282,362	-	21,968,056	19,999,252	1,682,628	-	21,681,880	286,176	1,686,442
Vehicles *	5,298,222	1,369,140	2,089,343	5,578,019	5,089,496	966,409	2,089,343	3,966,562	1,611,457	1,208,726
(Hypothecated against the loans availed)										
Total	230,714,160	29,575,725	2,603,598	257,686,287	203,471,044	29,328,796	2,554,226	230,245,614	27,440,673	27,243,116
Previous Year	221,263,305	10,216,727	765,872	230,714,160	166,899,794	37,334,741	763,491	203,471,044	27,243,116	54,363,511

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Satyam Venture Engineering Services Private Limited
Schedules forming part of the Balance Sheet

(Amount in Rupees)

	As at March 31,2009		As at March 31,2008	
5. SUNDRY DEBTORS (Unsecured)				
Considered good				
a) Exceeding six months		136,644,482		58,022,790
b) Other Debts*		283,815,662		172,625,023
		420,460,144		230,647,813
Considered doubtful		60,031,378		24,649,965
		480,491,522		255,297,778
Less: Provision for doubtful debts		60,031,378		24,649,965
		420,460,144		230,647,813
* Includes unbilled revenue of Rs.1,266,920 (31.03.2008 : Rs.3,040,808)				
6. CASH AND BANK BALANCES				
Cash on hand		75,802		70,239
Balances with Scheduled Banks:				
- in Current Account	311,383,471		148,111,057	
- in Deposit Account	10,984,319	322,367,790	64,957,731	213,068,788
(Includes Deposits lodged with customs authorities Rs. 664,673 (31.03.2008 : Rs.566,481))				
Balances with Non - Scheduled Banks in current Accounts				
Bank One - Michigan		31,743,073		29,990,288
Bank One - Canada		80,307		81,835
ANZ Grindlays Bank - Australia		19,540		19,540
		354,286,512		243,230,690
Maximum Balances held during the year with Non-Scheduled Banks on current Accounts				
Bank One - Michigan		84,845,465		52,294,621
Bank One - Canada		82,359		115,878
ANZ Grindlays Bank - Australia		19,540		19,540
7. LOANS AND ADVANCES (Unsecured, Considered Good)				
Advances recoverable in cash or in kind or for value to be received		19,372,058		15,182,042
Advance Service Tax / Input credit		32,545,865		3,200,349
Advance tax (net of provision Rs. 117,673,211/- (31.03.2008 : Rs. 73,893,585/-))		30,317,899		52,221,073
Deposits		7,282,349		7,266,706
Interest accrued on deposits		67,777		767,366
		89,585,948		78,637,536
8(a). LIABILITIES				
Sundry Creditors				
- Dues to Micro, Small and Medium Enterprises				
- Dues to Others	479,087,717	479,087,717	217,138,414	217,138,414
Other Liabilities		43,137,325		35,371,123
		522,225,042		252,509,537



Satyam Venture Engineering Services Private Limited
Schedules forming part of the Balance Sheet

(Amount in Rupees)

	As at March 31,2009		As at March 31,2008	
8(b). PROVISIONS				
Provision for Gratuity		12,332,196		8,363,710
Provision for Leave Encashment		16,746,605		11,458,897
		<u>29,078,801</u>		<u>19,822,607</u>



V.S.

Satyam Venture Engineering Services Private Limited
Schedules forming part of the Profit and Loss Account

(Amount in Rupees)

		Year ended March 31, 2009	Year ended March 31, 2008
9.	Other Income		
	Profit on sale of Fixed Assets	145,000	-
	Gain on exchange fluctuations (net)	55,946,801	-
	Interest on deposits and others (Gross)	1,491,336	1,742,316
	(Tax deducted at source Rs.295,823 - (31.03.2008-Rs.345,759))		
	Income from sub letting	655,160	-
	(Tax deducted at source Rs.148,456)		
		58,238,297	1,742,316
10.	Personnel Expenses		
	Salaries	580,419,546	410,374,365
	Contribution to provident fund	9,744,402	8,194,867
	Gratuity	5,037,164	2,608,824
	Staff welfare expenses	1,613,986	1,861,016
		596,815,098	423,039,072
11.	Operating and Administration Expenses		
	Rent	14,247,511	13,830,358
	Rates and taxes	1,083,415	1,251,446
	Donations	9,875	20,165
	Security Charges	765,275	773,421
	Insurance	175,553	771,794
	Traveling and conveyance	54,444,652	46,925,656
	Communication	10,115,174	11,654,818
	Printing and stationery	1,460,418	1,400,329
	Marketing expenses	3,610,692	5,188,870
	Computer Hire charges	7,495,865	4,872,824
	Loss on sale of Fixed Assets	19,904	2,381
	Repairs and maintenance		
	- Plant and Machinery	28,650,854	15,804,930
	Loss / (Gain) on exchange fluctuations (net)	-	3,264,313
	Provision for doubtful debts	35,381,414	-
	Auditors' Remuneration	470,000	547,970
	Recruitment, training and development	5,436,097	5,021,616
	Visa processing charges	2,421,835	3,281,372
	Power and fuel	5,458,270	5,476,850
	Professional charges	12,451,756	10,555,807
	Sales commission	86,155,289	63,635,706
	Miscellaneous expenses	4,462,444	3,880,810
		274,316,291	198,161,436



Satyam Venture Engineering Services Private Limited
Schedules forming part of the Accounts
Schedule 12: Significant Accounting Policies and Notes on Accounts

Nature of Business

The company is a 50:50 joint venture between Satyam Computer Services Limited and Venture Global Engineering LLC. The Company provides engineering services such as product design, tool design and computer aided engineering simulation services to automotive industry across the globe, through its Indian operations and through its branches in USA and Canada. The financial statements reflect the results of its operations carried on by Indian Operations and overseas branches.

I. Significant Accounting Policies

A. Basis of Presentation

The financial statements of the Company are prepared on accrual basis under historical cost convention in accordance with Generally Accepted Accounting Principles (GAAP) applicable in India and the provisions of the Indian Companies Act, 1956.

B. Use of Estimates

The preparation of the financial statements in conformity with GAAP requires that the management makes estimates and assumptions that affect the reported amounts of assets and liabilities as at the date of the financial statements and the reported amounts of revenue and expenses during the reported period example of such estimates include, estimate of useful life. Actual results could differ from those estimates.

C. Fixed Assets

Fixed assets are stated at actual cost less accumulated depreciation. The actual cost includes material cost, freight, installation cost, duties and taxes, finance charges, and other incidental expenses incurred during the construction/installation stage. Depreciation on fixed assets is computed on the straight-line method over their estimated useful lives at the rates, which are higher than the rates prescribed under Schedule XIV of the Companies Act, 1956. Individual assets costing less than Rs. 5,000 are depreciated in full in the year of acquisition. Software is depreciated over actual license period or estimated life whichever is less.

The cost of and accumulated depreciation for fixed assets sold, retired or otherwise disposed off are removed from the stated values and the resulting gains and losses are included in the profit and loss account.

The estimated useful lives are as follows:

Particulars	Estimated useful life
Plant & Machinery (including Computers and Software)	3 years
Office Equipment	3 years
Furniture, Fixtures and Interiors	3 years
Vehicles	3 years



Satyam Venture Engineering Services Private Limited
Schedules forming part of the Accounts
Schedule 12: Significant Accounting Policies and Notes on Accounts

D. Employee Benefits

Liability for employee benefits, both short and long term, for present and past services which are due as per the terms of the employment are recorded in accordance with Accounting Standard - 15 "Employee Benefits" notified by the Companies (Accounting Standard) Rules, 2006.

Contribution to Provident fund is charged as expense, being a defined contribution plan. Liability for compensated absences (treated as long term liability) and gratuity is provided on the basis of valuation of the liability by an independent actuary as at the year end.

E. Revenue Recognition

Revenue from professional services consists primarily of revenue earned from services performed on a "time and material basis". The related revenue is recognized as and when the services are performed.

The Company also performs time bound fixed price engagements, under which revenue is recognized, using the percentage of completion method of accounting. The cumulative impact of any revision in estimates of percentage of work completed is reflected in the period in which the change becomes known. Provisions for estimated losses on such engagements are made during the period in which a loss becomes probable and can be reasonably estimated.

Amounts received or billed in advance of services performed are recorded as unearned revenue. Unbilled revenue, included in debtors, represents amounts recognized based on services performed in advance of billing in accordance with contract terms.

F. Foreign Currency Translation

Transactions in foreign currency are recorded at the exchange rate prevailing on the date of transaction. Monetary assets and liabilities denominated in foreign currency are translated at the rates of exchange at the balance sheet date and resultant gain or loss is recognized in the Profit and Loss Account. Non-monetary assets and liabilities are translated at the rate prevailing on the date of transaction. The operations of foreign branches of the company are integral in nature and the financials statements of these branches are translated using the same principles and procedures of Head office.

G. Leases

The Company's leasing arrangements are in respect of operating leases for premises. The leasing arrangements are usually cancelable / renewable by mutual consent on agreed terms. The aggregate lease rents payable are charged as rent in the profit and loss account.



Satyam Venture Engineering Services Private Limited
Schedules forming part of the Accounts
Schedule 12: Significant Accounting Policies and Notes on Accounts

H. Taxes on Income

Tax expense for the year comprises of current tax and deferred tax of Indian and foreign branches.

Current taxes are measured at the amounts expected to be paid using the applicable tax rates and tax laws.

Deferred tax assets and liabilities are measured using tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the profit and loss account in the year of change. Deferred tax assets and deferred tax liabilities are recognized for the future tax consequences attributable to differences between the financial statements carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets other than unabsorbed depreciation and business losses are recognized and carried forward only to the extent that there is a certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. Unabsorbed depreciation and business losses are recognized only to the extent of virtual certainty of their realisability.

I. Earnings Per Share

The company reports basic and diluted earnings per share in accordance with the Accounting Standard - 20 "Earnings per shares" notified by the Companies (Accounting Standard) Rules, 2006.

Basic earning per equity shares is computed by dividing the net profit for the year attributable to the equity shareholders by the weighted average number of equity shares outstanding during the year.

Diluted earning per share is computed by dividing the net profit for the year adjusted for the effects of diluted potential equity shares, attributable to the equity shareholders by the weighted average number of equity shares and dilutive potential equity shares outstanding during the year except where the results are anti dilutive.

J. Provisions, Contingent Liabilities and Contingent Assets

The company recognizes provisions when there is present obligation as a result of past event and it is probable that there will be outflow of resources and reliable estimate can be made of the amount of the obligation. A disclosure for contingent liabilities is made in the notes on accounts when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Contingent assets are neither recognized nor disclosed in the financial statements.

II. Notes on Accounts

1. Contingent liability not provided for - Disputed income tax matters: Rs.1,67,94,133 (31.03.2008: Nil).



Satyam Venture Engineering Services Private Limited
Schedules forming part of the Accounts
Schedule 12: Significant Accounting Policies and Notes on Accounts

2. Estimated amount of contracts pending execution on capital account and not provided for is Rs. Nil (31.03.2008: Rs. 415,760).
3. Investment subsidy of Rs.1,250,000 (31.03.2008: Rs. 1,250,000) included under capital reserve is refundable in the event of non compliance of certain conditions attached to the grant of the subsidy.
4. The Company promoted as 50:50 Joint Venture by Satyam Computer Services Ltd ("Satyam") and Venture Global Engineering LLC US ("Venture"). The joint venture partners entered into a shareholders' agreement (SHA) which was incorporated as part of the Articles of Association of the Company. The company further entered into two separate agreements with Satyam and Venture setting out the terms and conditions relating to payment of Sales Commission which is inline with clause 6.06 of the SHA.

During the year 2005-06, Satyam filed a request for arbitration proceedings against Venture in the London Court of International Arbitration by invoking the arbitration procedures in the SHA. Satyam's claims related to, among other things, the 'Events of Default' term of SHA. The Arbitrator issued an award dated April 3, 2006 granting all of the relief sought by Satyam. The award amongst other things provides a direction to Venture to deliver to Satyam all of its Share Certificates of the Company for immediate transfer to Satyam and Satyam to pay amount towards book value of shares net of disgorgement of amounts paid by the Company to Venture. Satyam filed a petition in the United States District Court for the District of Michigan, for enforcement of the Award and the District Court entered judgment recognizing and enforcing the Award in Satyam's favour. Venture appealed the District Court's judgment to the U.S. Court of Appeals for the Sixth Circuit, but that Appeal was denied. During the course of proceedings in US Courts, Venture filed petition for setting aside the Award before the City Civil Court, Secunderabad and made an appeal to the High Court of Andhra Pradesh, both of which were rejected. Subsequently, a Special Leave Petition was filed in the Supreme Court of India which set aside the Orders of High Court and City Civil Court and directed to maintain status quo with regard to transfer of shares in issue vide its Order dated 10.01.08 and remanded the case to City Civil Court, Hyderabad. The Court proceedings are in progress.

Pending final outcome of the dispute between the promoters, the Company has continued to accrue liability towards sales commission for Venture. Adjustments, if any, arising out of the dispute between the promoters will be made on final disposal of the legal proceedings.

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Satyam Venture Engineering Services Private Limited
Schedules forming part of the Accounts
Schedule 12: Significant Accounting Policies and Notes on Accounts

5. The affairs of one of the promoters M/s. Satyam Computer Services Limited ("Satyam") are being investigated by multi disciplinary Regulatory Authorities consequent to a confession statement made by the former Chairman of Satyam during the year 2008-09. The Company understands that Satyam is also in the process of investigating the matters referred to in the statement. During the course of investigation on Satyam, some Authorities have visited the Company and have taken copies / extract of various records, documents and other information.

Further, the Assistant Commissioner of Income Tax, Central Range 1, Hyderabad had ordered special audit of accounts of the company for the financial years 2001-02 and 2006-07 under section 142(2A) of the Income Tax Act by a letter dated 18 December 2009.

The financial statements of the Company for the year do not include any adjustments made on account of the ongoing investigation by Satyam and Regulatory Authorities as the management, at this juncture, does not foresee any adjustments to be made in the financial statements of the Company as a result of any such investigations.

6. Outsourcing Operations

In respect of services to one of the end customers in Germany and United Kingdom, the deliveries are made by Satyam Computer Services Limited (Satyam) since the Company does not have branches in those countries. The gain or loss on such deliveries was transferred by Satyam to the Company based on understanding between Satyam and the Company upto last year. Subsequently, both the Companies mutually agreed that if the net result of such transactions is a loss, such loss shall be absorbed by Satyam with effect from 01.04.2008. In accordance with the revised understanding, the net loss of Rs.1,172,701/- on said deliveries for the year 2008-09, which was initially accounted by the Company, has been transferred back by the Company to Satyam and necessary adjustments have been made in the accounts of the Company. The Board has reaffirmed the revised understanding and the accounting treatment thereof.

7. Adjustments relating to earlier years

Current Tax:

The tax assessments for the assessment years 2003-04, 04-05 and 05-06 have been completed by the assessing officer by making additions in respect of commission paid to the Venture, on arms length price of the international transactions between the company and adjustment to the calculation of export turnover and depreciation relating to the software assets partly acquired utilizing the capital subsidy. The demands raised by the authorities for all the assessment years amounted to Rs 4,67,94,133/-. The company had appealed against these orders with the Commissioner of income tax for all the years. The CIT (A) for assessment year 2004-05 had decided the case in favor of the assessee with respect to the export turnover and against the assessee in respect of commission paid to Venture. The appeal for the years 2003-04 and 2005-06 are yet to be adjudicated by the CIT (A). The company has filed appeal against the order of the CIT (A) with Income Tax Appellate Tribunal.



Satyam Venture Engineering Services Private Limited
Schedules forming part of the Accounts
Schedule 12: Significant Accounting Policies and Notes on Accounts

Pending disposal of the appeal, the company as a measure of prudence had made provision of tax for earlier years to the extent Rs. 3,00,00,000 representing the tax liability on commission paid to Venture with respect to sales made to Satyam (mainly to end customer TRW) as balance sales commission paid to Venture on sales made to others has been allowed for all the three years and the balance Rs.1,67,94,133 is considered as contingent liability.

Deferred Tax:

During the year, the Company has reviewed the components of timing differences from the inception and recognised deferred tax on the same against which recognition was omitted in earlier years. The recognition of deferred tax for the period upto 31.03.2008 aggregating to Rs. 2,98,78,102/- was presented under "adjustments relating to earlier years".

8. Deferred Tax Asset

The movement of deferred tax asset and its composition as at March 31, 2009 is below:

(Amount in Rupees)

Nature of timing differences	Balance as on April 1, 2008	Charge for the year	Adjustments relating to earlier years	Balance as on March 31, 2009
Depreciation	-	30,70,183	1,66,58,183	1,97,28,366
Provision for doubtful debts	-	1,17,92,625	82,15,833	2,00,08,458
Provision for gratuity and Leave encashment	16,02,790	30,85,088	50,04,086	96,91,964
Total	1,602,790	1,79,47,896	2,98,78,102	4,94,28,788

9. Employee Benefits:

The following table sets forth the status of the Gratuity Plan of the Company, and the amounts recognized in the balance sheet and profit and loss account.

(Amount in Rupees)

	Year Ended March 31, 2009	Year Ended March 31, 2008
Projected benefit obligation at the beginning of the year	8,363,710	6,406,664
Current service cost	1,720,943	1,598,165
Interest cost	835,690	651,100
Actuarial loss/(gain)	2,480,531	359,559
Benefits paid	1,068,678	(651,778)
Projected benefit obligation at the end of the year	12,332,196	8,363,710
Amounts recognized in the balance sheet		
Projected benefit obligation at the end of the year	12,332,196	8,363,710
Fair value of plan assets at end of the period		
Funded status of the plans - asset/ (liability)	12,332,196	8,363,710
Liability recognized in the balance sheet	12,332,196	8,363,710
Gratuity cost for the year		
Current service cost	1,720,943	1,598,165



Satyam Venture Engineering Services Private Limited
Schedules forming part of the Accounts
Schedule 12: Significant Accounting Policies and Notes on Accounts

Interest cost	835,690	651,100
Net actuarial (gain)/loss recognized in the year	2,480,531	359,559
Net gratuity cost	5,037,164	2,608,824
Assumptions		
Discount rate	7.95%	8.40%
Long-term rate of compensation increase	6.00%	6.00%

10. Segment Information

- A) Business Segment: The Company has only one primary business segment viz., engineering services.
- B) Geographic Segment: Revenue attributable to location of customers is as follows.

(Amount in Rupees)

Geographic location	Year ended March 31, 2009	Year ended March 31, 2008
United States of America	660,433,971	268,374,594
India	25,806,708	278,590,380
Europe	234,128,206	118,693,950
South Africa	-	1,299,303
Japan	-	5,830,777
Canada	-	88,551
China	556,642	-
Total	920,925,527	672,877,555

Segment assets based on their location are as follows:

(Amount in Rupees)

Geographic location	Segment Assets	Additions to Fixed Assets	Segment Assets	Additions to Fixed Assets
	As at March 31, 2009	Year ended March 31, 2009	As at March 31, 2008	Year ended March 31, 2008
India	797,228,362	29,310,509	515,949,938	10,113,773
United States of America	94,715,015	265,216	63,809,217	102,953
Total	891,943,377	29,575,725	579,759,155	10,216,726

11. Related Party Transactions:

The company has transactions with the following related parties.

S. No.	Particulars	Relationship
1	Satyam Computer Services Limited	Joint Venture Partner
2	Venture Global Engineering LLC	Joint Venture Partner
3	Satyam Technologies Inc.	Under common control of Satyam Computer Services Limited
4	Rao S Vadlamudi	Key Managerial Personnel



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5	Hari Sadarahalli*	Key Managerial Personnel
6	PVS Murali	Key Managerial Personnel
7	AM Rao	Key Managerial Personnel
8	P Sathaiah	Key Managerial Personnel
9	K. S Harinath	Key Managerial Personnel

* Resigned at the end of the year.

Summary of transactions with the above-related parties is as follows:

(Amount in Rupees)

Description	Transactions for the year ended March 31, 2009.			Transactions for the year ended March 31, 2008.		
	Satyam Computer Services Ltd & its affiliates	Venture Global Engineering LLC & its affiliates	Key Managerial Personnel	Satyam Computer Services Ltd & its affiliates	Venture Global Engineering LLC & its affiliates	Key Managerial Personnel
Sales	454,575,644	823,839	-	368,332,888	1,299,302	-
Remuneration	-	-	26,719,563	-	-	24,554,389
Services	189,915,537	85,673,154	-	83,530,240	63,633,394	-

(Amount in Rupees)

Description	Balances as at March 31, 2009			Balances as at March 31, 2008		
	Satyam Computer Services Ltd & its affiliates	Venture Global Engineering LLC & its affiliates	Key Managerial Personnel	Satyam Computer Services Ltd & its affiliates	Venture Global Engineering LLC & its affiliates	Key Managerial Personnel
Receivables	279,209,249	1,487,119	-	95,140,527	3,192,984	-
Payables	128,926,410	236,347,265	-	67,970,109	125,066,267	-

12. Earnings Per Share

Calculation of Basic and Diluted Earnings per Share:

Particulars	Year ended March 31	
	2009	2008
a. Profit after taxation (Rs)	80,742,531	1,801,317
b. Number of Shares outstanding considered for Basic and Diluted	7,088,960	7,088,960
c. Face Value per Share	10.00	10.00
d. Earnings per share - Basic and Diluted (Rs.)	11.39	0.25



Satyam Venture Engineering Services Private Limited
Schedules forming part of the Accounts
Schedule 12: Significant Accounting Policies and Notes on Accounts

13. Remuneration to the auditors:

(Amount in Rupees)

Particulars	Year ended March 31	
	2009	2008
Statutory Audit	450,000	450,000
Other Services	-	75,000
Out of pocket expenses	20,000	22,970

14. The Company is engaged in providing engineering services. The production and sale of such engineering services cannot be expressed in any generic unit. Hence, it is not possible to give the quantitative details of sales and the information required under the Paragraphs 3 and 4C of Part II of Schedule VI of the Companies Act, 1956.

15. Information with regard to matters specified in Clauses 3, 4(A) and 4(D) of Part II of Schedule VI to the Companies Act, 1956 to the extent that they are either Nil or Not Applicable to the Company, are not furnished.

i). Earnings in foreign exchange during the year (on receipt basis):

(Amount in Rupees)

	Year ended March 31	
	2009	2008
Income from software development services	675,772,406	329,032,776

ii). C.I.F value of imports:

(Amount in Rupees)

	Year ended March 31	
	2009	2008
Capital Goods	9,859,414	2,572,073

iii). Expenditure incurred in foreign currency: (on payment basis)

(Amount in Rupees)

	Year ended March 31	
	2009	2008
Traveling Expenses	30,773,160	29,993,855
Expenditure incurred at overseas branches	149,843,680	152,243,298
Taxes paid	520,374	-
Others	80,988,281	19,306,536

16. There are no dues payable to Micro, Small and Medium Enterprises exceeding the time limits specified in the Micro, Small and Medium Enterprises Development Act, 2006. The information regarding Micro, Small and Medium Enterprises has been compiled by the company based on the information received from such parties.



Satyam Venture Engineering Services Private Limited
Schedules forming part of the Accounts
Schedule 12: Significant Accounting Policies and Notes on Accounts

17. Figures for the corresponding year wherever necessary have been regrouped recast and rearranged to conform to the current year.



On behalf of Board of Directors

[Signature] *[Signature]*

Director

Director

[Signature]
Chief Executive Officer

Place: Hyderabad, December 29, 2009

AUDITOR'S REPORT

THE MEMBERS OF SATYAM VENTURE ENGINEERING SERVICES PRIVATE LIMITED

1. We have audited the attached Balance Sheet of Satyam Venture Engineering Services Private Limited as at 31st March, 2009, the Profit and Loss Account for the year ended on that date and the Cash Flow Statement for the year ended on that date, both annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with 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 misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 ("Order") issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Without qualifying our opinion, we invite reference to the following notes under Schedule 12: Significant Accounting Policies and Notes on Accounts:
 - a) Note No. 4 regarding accruing of liability towards sales commission pending final outcome of ongoing dispute between the promoters of the company;
 - b) Note No. 5 regarding ongoing investigation into the affairs of one of the promoter company by multi disciplinary regulatory authorities and the consequential effect, if any, on the Company;
 - c) Note no. 6 regarding treatment of loss on certain deliveries as detailed in the said note.
5. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
 - a) we have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - b) in our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;



- c) the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
- d) in our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
- e) in our opinion and to the best of our information and according to the explanations given to us, the said financial statements give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
- i. in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2009;
 - ii. in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
 - iii. in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.
- f) *Mr. Srinivas Vadlamani, director of the company, has not produced written representation as to whether the Public Limited Companies in which he is a director as on March 31, 2009, have not defaulted in terms of section 271 (1) (g) of the Companies Act, 1956. In the absence of this representation, we are unable to comment whether Mr. Srinivas Vadlamani is disqualified from being appointed as a director under clause (g) of sub Section (1) of section 274 of the Companies Act, 1956. As far as other directors are concerned, on the basis of the written representation received from such directors as on March 31, 2009 and taken on record by the Board of Directors, we report that none of the remaining directors is disqualified from being appointed as a director under clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.*



For M. Bhaskara Rao & Co.,
Chartered Accountants

M. V. Ramana Murthy

M. V. Ramana Murthy
Partner
Membership No.206439

Hyderabad, December 29, 2009

Annexure to the Auditors' Report

(Referred to in paragraph 3 of our report of even date to the members of Satyam Venture Engineering Services Private Limited)

- (i) In respect of its Fixed Assets:
- (a) The Company is maintaining proper records showing full particulars, including quantitative details and situation of its fixed assets.
 - (b) According to the information and explanations given to us, the fixed assets have been physically verified by the management during the year and no material discrepancies were noticed on such verification. In our opinion, the frequency of verification is reasonable.
 - (c) During the year, in our opinion, substantial part of fixed assets has not been disposed off by the company.
- (ii) The company is a service company, primarily rendering engineering services. It does not hold any inventory during the year and accordingly requirements of para 4(ii) of the Order are not applicable.
- (iii) In respect of Loans, secured or unsecured, granted or taken by the Company;
- (a) According to the information and explanations given to us, no loans, secured or unsecured were granted to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956 and accordingly para 4(iii)(b),(c) and (d) of the Order are not applicable.
 - (b) According to the information and explanations given to us, the company has not taken secured or unsecured loans from any party covered in the register maintained under section 301 of the Companies Act, 1956 during the year and accordingly, para 4(iii) (e), (f) and (g) of the Order are not applicable.
- (iv) In our opinion and according to the information and explanations given to us, having regard to the explanation that certain items purchased /services availed are of special nature for which suitable alternative sources do not exist for obtaining comparative quotations, there is an adequate internal control system commensurate with the size of the company and the nature of its business for the purchase of fixed assets and for the sale of services. Further, on the basis of our examination of books and records of the company and according to the information and explanations given to us, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the aforesaid internal control system.
- (v) In respect of contracts or arrangement entered in the register maintained in pursuance of Section 301 of the Companies Act 1956:
- (a) As explained to us and according to the information and explanations given to us, the particulars of contracts or arrangements referred to in Section 301 of the Companies Act, 1956 have been entered in the register required to be maintained under that section.



- (b) In our opinion and according to the information and explanations given to us, the transactions made during the year in pursuance of such contracts or arrangements and exceeding the value of rupees five lakhs in respect of any party during the year have been made at prices, which are reasonable having regard to the prevailing market prices at the relevant time, where such market prices are available.
- (vi) According to the information and explanations given to us, the Company has not accepted any deposits from the public to which the provisions of section 58 A and 58 (AA) of the Companies Act 1956 apply. Accordingly, the provisions of para 4(vi) of the Order are not applicable to the company.
- (vii) *In our opinion, the internal audit system needs to be strengthened to be effective to be commensurate with the size of the Company and the nature of its business.*
- (viii) In our opinion and according to the information and explanations given to us, the Central Government has not prescribed maintenance of cost records under Section 209(1) (d) of the Companies Act, 1956 for the Company.
- (ix) In respect of statutory dues
 - (a) According to the information and explanations given to us and according to the books and records as produced and examined by us in accordance with the generally accepted auditing practices in India, the Company is generally regular in depositing undisputed statutory dues including provident fund, income tax, sales-tax, custom duty, wealth tax, service tax, Cess and any other material statutory dues applicable to it with the appropriate authorities during the year.
 - (b) According to the information and explanations given to us, there were no undisputed amounts payable in respect of, income tax, sales tax, wealth tax, service tax, customs duty, and any other material statutory dues which were in arrears as at March 31, 2009 for a period of more than six months from the date they became payable.
 - (c) According to the information and explanations given to us, details of disputed income tax which have not been deposited as on March 31, 2009 are given below:

Name of the Statute	Financial Year to which matter pertains	Amount (Rupees)	Forum where matter is pending
Income Tax Act, 1961	2003-04, 2004-05 and 2005-06.	21,550,669	Appellate Tribunal, Andhra Pradesh

- (x) The company does not have accumulated losses as at March 31, 2009 and has not incurred cash losses during the financial covered by our audit and the immediately preceding financial year.
- (xi) In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to banks.



- (xii) According to the information and explanations given to us, the Company has not granted any loans advances on the basis of security by way of pledge of shares, debentures and other securities. Accordingly, the provisions of para 4(xii) of the Order are not applicable to the Company.
- (xiii) In our opinion, the Company is not a Chit Fund or a Nidhi or Mutual Benefit Fund / Society. Accordingly, the provisions of para 4 (xiii) of the Order are not applicable to the company.
- (xiv) In our opinion and according to the information and explanations given to us, the Company does not deal or trade in shares, securities, debentures and other investments. Accordingly, the provisions of para 4(xiv) of the Order are not applicable to the Company
- (xv) In our opinion and according to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
- (xvi) The Company has not obtained any term loans during the year.
- (xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, the Company has not raised any funds on short-term basis which have been used for long-term investment.
- (xviii) According to the information and explanations given to us, the Company has not made preferential allotment of shares during the year to parties and companies covered in the register maintained under section 301 of the Companies Act, 1956.
- (xix) According to the information and explanations given to us, the Company has not issued any secured debentures; accordingly the provisions of para 4(xix) of the Order are not applicable to the Company.
- (xx) During the period covered by our audit report, the Company has not raised any money by public issue.
- (xxi) During the course of our examination of the books and other records of the company carried out in accordance with the generally accepted auditing practices in India and according to the information and explanations given to us and read with para 4 above, no instance of fraud on or by the company was reported during the year, nor have we been informed of such case by the management.



For M. Bhaskara Rao & Co.,
Chartered Accountants

M. V. Ramana Murthy

M. V. Ramana Murthy
Partner
Membership No. 206439

Hyderabad, December 29, 2009

DIRECTORS' REPORT

To
The Members of Satyam Venture Engineering Services Private Limited
Secunderabad.

We have pleasure in presenting the 9th Annual Report and the Audited Statement of accounts for the Financial Year ended March 31, 2009.

FINANCIAL RESULTS:

	(Rs.In Lakhs)	
	2008-09	2007-08
	-----	-----
Income	9,792	6,706
Operating Expenses	8,357	6,212
Provision for Doubtful debts	354	--
Operating profit	1,081	494
Financial expenses	12	10
Depreciation	293	373
Profit before Tax	776	111
Provision for Tax	110	56
Deferred Tax	-179	-
Fringe Benefit Tax	36	37
Profit after Tax	809	18
Current Tax	300	-
Deferred Tax	-298	-
Profit after Prior period adjustments	807	18

FIXED DEPOSITS:

During the year under review the Company has neither invited nor accepted any deposits from public and no amount of principal or interest was outstanding as on the date of Balance Sheet

DIRECTORS:

During the period under review, no Directors were appointed, However, Mr.C.P.Gurnani and Mr.Sujit Baksi were appointed as additional Directors W.E.F September 4 2009 in place of Mr.B.Ramaraju and Mr.Ram Mynampati respectively.

AUDITORS:

M/s M Bhaskara Rao & Co, Chartered Accountants, Hyderabad were appointed as Auditors of the company at Extraordinary General Meeting of the company held on 19.10.2009 after M/s Price Waterhouse, Chartered Accountants, Hyderabad, have resigned.

The auditors of the company M/s M Bhaskara Rao & Co, Chartered Accountants, Hyderabad, will retire at the conclusion of ensuing Annual General Meeting and being eligible and offer themselves for re-appointment.

Directors Comments on Auditors Observations: With regard to the Auditors observation in paragraph 4 (a), (b), and (c) in the Auditors Report, the details given in Notes 4, 5 and 6 respectively, of Schedule 12 – Significant Accounting Policies and Notes on Accounts, is self explanatory. Further, with regard to the Auditors observation in paragraph (vii) of annexure to the Auditors Report, the company is in the process of strengthening the internal audit function.

With regard to the Auditors observation in paragraph 5 (i) in the Auditors Report, Mr. Srinivas Vadlamani, director of the company, has not produced written representation as to whether the Public Limited Companies in which he is a director as on March 31, 2009, have not defaulted in terms of section 274 (1) (g) of the Companies Act. Your company intends to replace him with a new Director.

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

The particulars under Section 217 (1) (e) of the Companies Act read with companies (Disclosure of particulars in the report of board of directors) Rules, 1988 are given in Annexure A.

PARTICULARS OF EMPLOYEES:

Particulars of employees as required under Section 217(2A) of the companies Act,1956 and the Companies (Particulars of Employees) Rules 1975 as amended forms part of this report.

DIRECTORS RESPONSIBILITY STATEMENT:

In pursuance of Section 217(2AA) of the Companies Amendment Act, 2000, your directors confirm

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

ACKNOWLEDGEMENTS:

Your directors acknowledge with deep sense of gratitude the continued support extended by the Customers, Business Associates, Bankers and the Governmental Authorities. Your directors also place on record their delight for the contribution of the members of staff in achieving commendable performance.

By Order of the Board of Directors

Sd/-
Chairman

Place: Hyderabad

Date: 29th December 2009

Annexure 'A' to the Directors Report:

Particulars of conservation of Energy, Technology Absorption, Foreign Exchange Earnings and outgo:-

A. Conservation of Energy:

	No.of Units	Amount
a) Purchase of power Rate per unit	N.A.	N.A.
b) Own generation Rate per unit	N.A.	N.A.

B. Technology Absorption:

a) Effects made towards technology absorption.	Nil	Nil
b) Benefits derived out of Technology Absorption.	Nil	Nil
c) Research and Development	Nil	Nil

C. Foreign Exchange Earnings and Out go.

	Rs. (Lakhs)
a) Foreign Exchange earnings	6,758
b) Out go	2,621

By Order of the Board of Directors

**Sd/-
Chairman**

Place: Hyderabad
Date: 29th December 2009