

# **SATYAM TECHNOLOGIES, INC.**

## ***Audited Financial Statements***

### **Independent Auditors' Report**

**March 31, 2010 and 2009**

**The Chugh Firm**  
15925 Carmenita Road  
Cerritos, CA 90703  
Tel: 562-229-1220  
Fax: 562-229-1221

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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors and Stockholders  
Satyam Technologies, Inc  
Parsippany, NJ

We have audited the accompanying balance sheet of Satyam Technologies, a Delaware Corporation as of March 31, 2010 and 2009, and the related statements of income, stockholder's equity, and cash flows for the years then ended. 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 audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Satyam Technologies, Inc as of March 31, 2010 and 2009, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Chugh Firm, AAC

Cerritos, CA

June 3, 2010

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**SATYAM TECHNOLOGIES, INC.****Balance Sheets****March 31, 2010 and 2009**

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	<u>2010</u>	<u>2009</u>
<b><u>ASSETS</u></b>		
<b>CURRENT ASSETS</b>		
Cash and bank deposits	\$ 906,145	\$ 864,577
Receivable from related party	1,077,695	1,235,313
Accounts receivable	3,665,531	3,089,860
Prepaid expenses and other current assets	32,123	48,274
Deferred tax asset	165,953	172,952
<b>TOTAL CURRENT ASSETS</b>	<b><u>5,847,447</u></b>	<b><u>5,410,976</u></b>
<b>TOTAL ASSETS</b>	<b><u>\$ 5,847,447</u></b>	<b><u>\$ 5,410,976</u></b>
 <b><u>LIABILITIES AND STOCKHOLDER'S EQUITY</u></b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable to related party	\$ 4,679,609	\$ 4,199,357
Accounts payable	13,800	109,430
Accrued expenses and other current liabilities	350,634	322,165
<b>TOTAL CURRENT LIABILITIES</b>	<b><u>5,044,043</u></b>	<b><u>4,630,952</u></b>
 <b>STOCKHOLDER'S EQUITY</b>		
Common stock, \$0.01 par value <i>(1,000,000 shares authorized; 100,000 shares issued and outstanding)</i>	1,000	1,000
Additional paid- in-capital	999,000	999,000
Accumulated deficit	<u>(196,596)</u>	<u>(219,976)</u>
<b>TOTAL STOCKHOLDER'S EQUITY</b>	<b>803,404</b>	<b>780,024</b>
<b>TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY</b>	<b><u>\$ 5,847,447</u></b>	<b><u>\$ 5,410,976</u></b>

See independent auditors' report and accompanying notes to financial statements.

**SATYAM TECHNOLOGIES, INC.**  
**Statements of Income**  
**For the years ended March 31, 2010 and 2009**

	<u>2010</u>	<u>2009</u>
<b>REVENUE</b>	\$ 8,887,902	\$ 10,863,546
<b>COST OF REVENUE</b>	<u>8,739,379</u>	<u>10,546,255</u>
<b>GROSS PROFIT</b>	148,523	317,291
<b>OPERATING EXPENSES</b>		
Selling, general and administrative expenses	<u>112,299</u>	<u>199,530</u>
<b>TOTAL OPERATING EXPENSES</b>	<u>112,299</u>	<u>199,530</u>
<b>INCOME FROM OPERATIONS</b>	36,224	117,761
<b>OTHER INCOME (EXPENSE)</b>		
Interest income	<u>1</u>	<u>36</u>
<b>INCOME BEFORE INCOME TAX PROVISION</b>	36,225	117,797
Income Tax Expense/(Benefit) (Note 5)	<u>12,845</u>	<u>(79,252)</u>
<b>NET INCOME/(LOSS)</b>	<u>\$ 23,380</u>	<u>\$ 197,049</u>
<b>EARNINGS/(LOSS) PER SHARE</b>	0.23	1.97
<i>Weighted average number of shares used in computing earnings per share</i>	100,000	100,000

See independent auditors' report and accompanying notes to financial statements.

**SATYAM TECHNOLOGIES, INC.**  
**Statements of Stockholder's Equity**  
**For the years ended March 31, 2010 and 2009**

	<u>Common Stock</u>		<u>Additional Paid In Capital</u>	<u>Accumulated Deficit</u>	<u>Total Stockholder's Equity (Deficit)</u>
	<u>Shares</u>	<u>Amount</u>			
<b>Balance at March 31, 2008</b>	100,000	\$ 1,000	\$ 999,000	\$ (417,025)	\$ 582,975
<b>Net Income</b>				197,049	197,049
<b>Balance at March 31, 2009</b>	<u>100,000</u>	<u>\$ 1,000</u>	<u>\$ 999,000</u>	<u>\$ (219,976)</u>	<u>\$ 780,024</u>
<b>Net Income</b>				23,380	23,380.00
<b>Balance at March 31, 2010</b>	<u>100,000</u>	<u>\$ 1,000</u>	<u>\$ 999,000</u>	<u>\$ (196,596)</u>	<u>\$ 803,404</u>

See independent auditors' report and accompanying notes to financial statements.

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**SATYAM TECHNOLOGIES, INC.****Statements of Cash Flows****For the years ended March 31, 2010 and 2009**

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	<u>2010</u>	<u>2009</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	\$ 23,380	\$ 197,049
<i>Adjustments to reconcile net income to net cash provided by operating activities:</i>		
<i>(Increase) decrease in assets</i>		
Accounts receivable (related and non related)	(418,053)	(3,800,677)
Prepaid expenses and other current assets	(2,468)	(44,719)
Deferred tax asset	21,761	(49,028)
<i>Increase (decrease) in liabilities</i>		
Accounts payable (related and non related)	384,624	4,308,787
Accrued expenses and other current liabilities	32,325	77,737
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>41,568</u>	<u>689,149</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	-	
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	-	
NET INCREASE IN CASH	41,568	689,149
CASH - beginning of year	864,577	175,428
CASH - end of year	<u>\$ 906,145</u>	<u>\$ 864,577</u>

Cash paid during the year ended March 31, 2010 and 2009 for interest and income taxes was as follows:

Interest	None	None
Income taxes	None	None

Non-cash transactions: None None

See independent auditors' report and accompanying notes to financial statements.

## **1. Nature of the Operations**

### **Description of Business**

Satyam Technologies Inc. the "Company" or "STI" was incorporated as a Delaware corporation on September 28, 2000. The company was a joint venture between Satyam Computer Services Limited ("Satyam") holding 76% and TRW Inc. ("TRW") holding 24%. STI was formed to provide software development, professional engineering and information services to TRW, its affiliates and other companies. On March 28, 2003 in accordance with the share purchase and joint venture termination agreement Satyam acquired TRW's 24% stake of STI and the company is now a wholly owned subsidiary of Satyam (the parent Company).

## **2. Summary of Significant Accounting Policies**

This summary of significant accounting policies of Satyam Technologies, Inc. is presented to assist in understanding the Company's financial statements.

### **Basis of accounting**

These financial statements have been prepared in accordance with US GAAP. The accounting policies have been applied consistently throughout the current and preceding periods. The financial statements have been prepared on going concern basis.

### *Accounting Standard Codification*

In July 2009, the FASB issued SFAS No. 168, "The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles—a replacement of FASB Statement No. 162" ("SFAS No. 168"). SFAS No. 168 establishes the FASB Accounting Standards Codification ("Codification") to become the source of authoritative U.S. generally accepted accounting principles ("U.S. GAAP") recognized by the FASB to be applied by nongovernmental entities. All existing accounting standard documents are superseded. All other accounting literature not included in the Codification will be considered non-authoritative. The Codification does not change current GAAP.

The Company has adopted the Codification beginning the period ended March 31, 2010. There is no material impact on the Company's statement of financial condition. References to authoritative U.S. GAAP literature, however, in the Company's financial statements and notes thereto has been updated to reflect new Codification references.

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### **Cash and bank deposits**

The Company maintains its cash in bank deposit accounts. Accounts are insured by the Federal Deposit Insurance Corporation up to \$250,000 per depositor. The Company has cash deposited in the financial institution in excess of the federally insured limits.

### **Fair Value of Financial Instruments**

The carrying amounts of the Company's financial instruments, which include cash equivalents, accounts receivable, accounts payable and other accrued expenses, approximate their fair values due to their short maturities.

*Guidance and Disclosures on Fair Value Measurements.* In April 2009, the Financial Accounting Standards Board ("FASB") issued FASB Staff Position ("FSP") Financial Accounting Standards ("FAS") 157-4, "Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly" ("FSP FAS 157-4") and FSP FAS 107-1 and APB 28-1, "Interim Disclosures about Fair Value of Financial Instruments" ("FSP FAS 107-1" and "APB 28-1"). FSP FAS 157-4 provides additional application guidance in determining fair values when there is no active market or where the price inputs being used represent distressed sales. It reaffirms what FASB ASC No. 820-10 (formerly known as SFAS No. 157), "Fair Value Measurements" states is the objective of fair value measurement—to reflect how much an asset would be sold for in an orderly transaction (as opposed to a distressed or forced transaction) at the date of the financial statements under current market conditions. Specifically, it reaffirms the need to use judgment to ascertain if a formerly active market has become inactive and in determining fair values when markets have become inactive. The company adopted ASC 820-10 beginning the year ended March 31, 2010. The adoption did not have a material impact on the Company's statement of financial condition.

### **Income Taxes**

The Company accounts for income taxes in accordance with the FASB ASC 740 (formerly SFAS No. 109, "Accounting for Income Taxes"), which requires an asset and liability approach to financial accounting and reporting of income taxes. Deferred income tax assets and liabilities are computed annually for differences between the financial statement and tax basis of assets and liabilities that will result in taxable or deductible amounts in the future based on the enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowance is established when necessary to reduce deferred tax assets to the amount expected to be realized

Financial Accounting Standards Board issued FIN 48 now known as ASC No. 740-10 "Accounting for Uncertainty in Income Taxes". Beginning April 1, 2008, the Company adopted FIN 48, thereafter, recognizes the tax benefits from uncertain tax positions only if it is more likely than not that the tax position will be sustained on examination by the

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taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such positions are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement.

The Company's income tax filings are subject to audit by various taxing authorities. The Company's open audit periods are 2006–2009. In evaluating the Company's tax provisions and accruals, future taxable income, and the reversal of temporary differences, interpretations and tax planning strategies are considered. The Company believes their estimates are appropriate based on current facts and circumstances

### **Revenue Recognition**

The Company earns revenue from software development and consulting services. Revenue from software development and consulting services is recognized on time and material basis, provided that no uncertainties regarding customer acceptance exist and collection of the related receivable is probable.

### **Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### **3. Concentration of Credit Risk and Significant Customers**

Accounts receivable balances are typically unsecured and are derived from revenues earned from customers. For year ended March 31, 2010 and 2009, the Company had major revenue from one customer which accounted for 56% and 65%, respectively of the sales revenue.

Further, the Company maintains deposits in excess of federally insured limits of \$250,000 per depositor. The risk is managed by maintaining all deposits in a high quality financial institution.

### **4. Common Stock**

Each share of common stock is entitled to one vote. The holders of common stock are also entitled to receive dividends whenever funds are legally available and when declared by the Board of Directors, subject to the prior rights of holders of all classes of stock outstanding. To date, no dividends on common stock have been declared.

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**SATYAM TECHNOLOGIES, INC.**  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2010

**5. Income Taxes**

Deferred tax assets consist of the following as of March 31, 2010 and 2009:

	<u>March 31, 2010</u>	<u>March 31, 2009</u>
Deferred tax assets:		
Net operating loss carryover	\$ 83,740	\$ 110,759
Others	82,213	62,193
	-----	-----
Total deferred tax assets	165,953	172,952
Less: Valuation allowance	---	---
	-----	-----
Net Deferred tax assets	\$ 165,953	\$ 172,952
	=====	=====
Income tax (benefit)/expense consist of the following:		
Current Federal and State Income Taxes	\$ 5,845	\$ (30,224)
Deferred Federal and State Income Taxes	7,000	(49,028)
	-----	-----
Total	\$ 12,845	\$ (79,252)
	=====	=====

As of March 31, 2010, the Company has federal net operating loss carryover of \$271,495 available to reduce future taxable income. The federal net operating losses can be carried forward up to 2024. In the event of certain ownership changes in the Company, the ability to utilize the tax benefits from the Company's net operating loss carryover may subsequently be limited.

**6. Related Party Transactions**

The following related party transactions took place between the company and its related corporations during the financial year on terms agreed between the parties concerned.

<b>For the year ending</b>	<b>March 31, 2010</b>	<b>March 31, 2009</b>
<b>Services received from Satyam Venture Engineering Services</b>		
For consultants and other operating expenses	\$ 7,679,630	\$ 8,532,817
<b>Services Provided to Satyam Computers Services Limited</b>		
For consultants and other operating expenses	\$ 568,277	\$ 455,738

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**7. 401(k) Savings Plan**

The Company has established a defined contribution savings plan under Section 401(k) of the Internal Revenue Code, which covers substantially all employees who meet minimum age and services requirements and allows participants to defer a portion of their annual compensation on a pre-tax basis. Company contributions to the plan may be made at the discretion of the Board of Directors. For the year ended March 31, 2010 and 2009, the Company has made contributions in the amount of \$10,562 and \$14,228, respectively, to the plan.

**8. Subsequent Events**

In May 2009, the FASB issued ASC 855 (formerly known as SFAS No. 165), "Subsequent Events". The objective of ASC 855 is to establish general standards of accounting for and disclosures of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. The adoption of ASC 855 did not have a material impact on the Company's statement of financial condition.

Subsequent events have been evaluated through June 1, 2010, which is the date the financial statements were available to be issued.

**9. Contingencies**

There are no pending legal actions, including arbitrations, class actions and other litigation, arising in connection with the Company's activities.

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