

Annual report 2009/2010

Suzlon Energy B.V.

Amsterdam

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Financial statements

Balance sheet as at 31 March 2010

(after proposed profit appropriation)

Assets	Note	31 March 2010		31 March 2009	
		EUR	EUR	EUR	EUR
<i>Fixed assets</i>					
Tangible fixed assets	4				
Office inventory			762,917		903,376
<i>Current assets</i>					
Debtors	5				
Receivables from group companies	6	674,843		166,409	
Receivables from affiliated companies	7	0		44,026	
Taxes and social security contributions	8	0		82,535	
Other debtors, prepayments and accrued income	9	212,188		621,320	
			887,031		914,290
Cash at bank and in hand	10		161,762		208,274
			<u>1,811,710</u>		<u>2,025,940</u>

Shareholders' equity and liabilities	Note	31 March 2010		31 March 2009	
		EUR	EUR	EUR	EUR
Shareholders' equity				18,000	
Issued and paid-up share capital	11	18,000		(29,244,492)	
Other reserves	12	(43,533,650)			(29,226,492)
			(43,515,650)		
Current liabilities	13				
Amounts owed to credit institutions	14	3,446		0	
Trade creditors		3,152,747		1,589,027	
Payables to group companies	15	41,061,203		28,564,366	
Payables to affiliated companies	16	800,133		2,809	
Taxes and social security contributions	17	232,301		221,763	
Other liabilities, accruals and deferred income	18	77,530		874,467	
			45,327,360		31,252,432
					2,025,940
			1,811,710		

Profit and loss account for the year ended 31 March 2010

	Note	2009/2010		2008/2009	
		EUR	EUR	EUR	EUR
Movements in stock		0		(231,305)	
Total operating income			0		(231,305)
Salaries and wages	20	2,313,146		4,524,122	
Social security contributions	21	77,601		122,836	
Pension contributions	22	288,715		734,436	
Depreciation on tangible fixed assets	23	142,624		282,743	
Other operating expenses	24	9,227,010		1,375,298	
Total operating expenses			12,049,102		13,039,435
Operating profit/(loss)			(12,049,102)		(13,270,740)
Interest and similar income	25		25,492		170,479
Interest and similar expenses	26		(2,265,548)		(1,513,482)
Result from ordinary activities before taxation			(14,289,158)		(14,613,743)
Tax on profit/(loss) on ordinary activities			0		0
Profit/(loss) after taxation			(14,289,158)		(14,613,743)

Cash flow statement for the year ended 31 March 2010

The movements of funds can be specified as follows:

	Note	2009/2010		2008/2009	
		EUR	EUR	EUR	EUR
Cash flow from operating activities					
Operating profit/(loss)			(12,049,102)		(13,270,740)
<i>Adjustments for:</i>					
Amortisation and depreciation		142,624		181,119	
			142,624		181,119
<i>Changes in working capital:</i>					
Stock and work in progress		0		231,305	
Debtors		27,259		5,283,689	
Current liabilities (exclusive of finance balances)		14,071,482		13,220,503	
			14,098,741		18,735,497
Cash flow from commercial operations			2,192,263		5,645,876
Payment of interest	25	(2,191,726)		(1,341,584)	
			(2,191,726)		(1,341,584)
Cash flow from operating activities			537		4,304,292
Cash flow from investing activities					
Additions to tangible fixed assets	4	(2,165)		(4,048)	
Disposal of tangible fixed assets	4	0		101,624	
Cash flow from investing activities			(2,165)		97,576

	Note	2009/2010		2008/2009	
		EUR	EUR	EUR	EUR
Cash flow from financing activities					
Decrease long-term liabilities		0	(4,171,250)		
Cash flow from financing activities			0	(4,171,250)	
Net cash flow			(1,628)	230,618	
Exchange differences on cash items			(48,330)	(1,419)	
Decrease in cash	10		(49,958)	229,199	
The movement of funds is as follows:					
Balance as at 1 April			208,274	(20,925)	
Movements during the year			(49,958)	229,199	
Balance as at 31 March			158,316	208,274	

Notes to the company accounts

1 Notes to the accounts

1.1 Activities

Suzlon Energy B.V.'s main activities are the development and marketing research of durable energy.

1.2 Registered office

Suzlon Energy B.V. has its registered office at Strawinskylaan 1541 Tower C 15fl, 1077XX, Amsterdam.

1.3 Group structure

Suzlon Energy B.V., Suzlon Blade Technology B.V., SE Drive Technik GmbH, Hansen Transmission International N.V. and AE-Rotor Holding B.V. constitute a group. The head of this group is AE-Rotor Holding B.V.

1.4 Going concern

Suzlon Energy B.V. has an equity deficit of EUR 43,515,650 on 31 March 2010. Planned new activities and continuity in financing by the parent company results in that fact that the management is of the opinion that the going concern assumption is justified.

1.5 Accounting policies for the cash flow statement

The cash flow statement has been prepared using the indirect method and discloses cash at bank and in hand and the bank credit recognised under current liabilities. Cash flows denominated in foreign currencies are translated at their average rates of exchange. Exchange differences in relation to cash items are disclosed separately in the cash flow statement. Interest income and expense, dividends received and profits tax are included in cash flow from operating activities.

1.6 Estimates

The preparation of financial statements in conformity with the relevant rules requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. If necessary for the purposes of providing the view required under Section 362(1), Book 2, of the Netherlands Civil Code, the nature of these estimates and judgments, including the related assumptions, is disclosed in the notes to the financial statement items in question.

2 Accounting policies for the balance sheet

2.1 General

The financial statements have been prepared in accordance with the statutory provisions of Part 9, Book 2, of the Netherlands Civil Code and the Guidelines for Annual Reporting in the Netherlands for small legal entities as issued by the Dutch Accounting Standards Board.

In general, assets and liabilities are stated at the amounts at which they were acquired or incurred, or current value. If not specifically stated otherwise, they are recognised at the amounts at which they were acquired or incurred. The balance sheet, profit and loss account and cash flow statement include references to the notes.

2.2 Comparative figures

The accounting policies are consistent with those used in the previous period.

2.3 Foreign currencies

Transactions, assets and liabilities

Foreign currency transactions in the reporting period are translated into the functional currency using the exchange rates prevailing at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the rate of exchange prevailing at the balance sheet date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates are recognised in the income statement.

Translation differences on non-monetary assets held at cost are recognised using the exchange rates prevailing at the dates of the transactions (or the approximated rates).

Translation differences on non-monetary assets such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss.

Translation differences on intragroup long term loans that effectively constitute an increase or decrease in net investments in a foreign operation are directly recognised in equity as a component of the legal reserve for translation differences.

Translation differences on foreign-currency loans contracted to finance a net investment in a foreign operation are recognised in the legal reserve for translation differences if and when such loans effectively hedge the exchange rate exposure on that net investment in a foreign operation.

2.4 Tangible fixed assets

The tangible fixed assets are stated at acquisition price plus additional expenses. Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets. Allowance is made for any asset impairments expected on the balance sheet date.

2.5 Debtors

Trade debtors are carried at the fair value of the consideration, usually its face value. A provision is made for doubtful debts.

2.6 Cash at bank and in hand

Cash and cash equivalents include cash in hand, bank balances and deposits held at call with maturities of less than 12 months. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet. Cash and cash equivalents are stated at face value.

2.7 Lease

Operating lease

Lease contracts for which a large part of the risks and rewards incidental to ownership of the assets does not lie with the company, are recognised as operating leases. Obligations under operating leases are recognised on a straight-line basis in the profit and loss account over the term of the contract, taking into account reimbursements received from the lessor.

3 Accounting policies for the profit and loss account

3.1 Result

Profit is determined as the balance of the realisable value of the services rendered and the costs and other charges for the year. Results on transactions are recognised in the year in which they are realised; losses are taken as soon as they are foreseeable.

3.2 Revenue recognition

Sales of goods

Revenue from sales of goods is recognised when all significant risks and rewards incidental to the ownership of the goods have been transferred to the buyer.

Sales of services

Revenue from sales of services is recognised under the percentage-of-completion method based on the services performed to the balance sheet date as a percentage of the total services to be performed.

3.3 Exchange rate differences

Exchange differences arising upon the settlement of monetary items are recognised in the profit and loss account in the period that they arise.

3.4 Cost of sales

Cost of sales represents the direct and indirect expenses attributable to revenue.

3.5 Employee benefits

Short-term employee benefits

Salaries, wages and social security contributions are taken to the income statement based on the terms of employment, where they are due to employees.

Pensions

Suzlon Energy B.V. has a number of pension schemes, most of which are defined contribution schemes. For its defined contribution schemes, Suzlon Energy B.V. pays contributions to pension funds and insurance companies on a compulsory, contractual or voluntary basis. Except for the payment of contributions, Suzlon Energy B.V. has no other obligation in connection with these pension schemes. Contributions are recognised as staff costs when incurred. Prepaid contributions are accounted for under prepayments and accrued income if this leads to a repayment or a reduction in future payments.

Suzlon Energy B.V. also has a number of defined benefit schemes. These provide defined pension benefits to staff upon reaching retirement age, depending on age, salary and years of service. Suzlon Energy B.V. has accounted for the defined benefit schemes at industry sector pension funds as if they were defined contribution schemes.

Share-based payment

Suzlon Energy Limited, the Holding Company has granted 20,000 shares to the employees of the Company as ESOPs, by virtue of its ESOP, 2005.

3.6 *Amortisation and depreciation*

Tangible fixed assets are depreciated over their expected useful life as from the inception of their use. Land and investment property are not depreciated. Future depreciation is adjusted if there is a change in estimated useful life.

Gains and losses upon the sale of tangible fixed assets are included in depreciation.

3.7 *Costs*

Costs are based on the historical cost convention and allocated to the financial year to which they relate.

3.8 *Financial income and expense*

Interest paid and received

Interest paid and received is recognised on a time-weighted basis, taking account of the effective interest rate of the assets and liabilities concerned. When recognising interest paid, allowance is made for transaction costs on loans received as part of the calculation of effective interest.

3.9 *Tax on profit/(loss) on ordinary activities*

Income tax is calculated on the profit/loss before tax in the income statement, taking into account any losses carried forward from previous financial years (where not included in deferred income tax assets) and tax exempt items, and plus non deductible expenses. Account is also taken of changes in deferred income tax assets and liabilities owing to changes in the applicable tax rates.

Notes to the balance sheet

4 Tangible fixed assets

Movements in tangible fixed assets are broken down as follows:

	<u>Office inventory</u> EUR
Balance as at 1 April 2009	
Cost	1,224,020
Accumulated depreciation	(320,644)
Book value	<u>903,376</u>
Movements in book value	
Additions	2,165
Depreciation of tangible fixed assets	(142,624)
Balance	<u>(140,459)</u>
Balance as at 31 March 2010	
Cost	1,226,185
Accumulated depreciation	(463,268)
Book value	<u>762,917</u>
 Depreciation rates	 <u>10 - 20 %</u>

5 *Debtors*

All receivables, except for the trade receivables mentioned below, fall due in less than one year. The fair value of the receivables approximates the book value.

6 *Receivables from group companies*

	<u>31-03-2010</u>	<u>31-03-2009</u>
	EUR	EUR
Suzlon Blade Technology B.V.	673,386	164,952
Suzlon Energy Limited, India	1,457	1,457
	<u>674,843</u>	<u>166,409</u>

The interest rate on the receivables from Suzlon Blade Technology B.V. is amounted to 6,5% by quarter average. In respect of repayment and securities provided, no agreements have been made.

7 *Receivables from affiliated companies*

	<u>31-03-2010</u>	<u>31-03-2009</u>
	EUR	EUR
Suzlon Wind Energy, Denmark	0	41,921
Suzlon North Asia Limited, Hong Kong	0	2,105
	<u>0</u>	<u>44,026</u>

8 *Taxes and social security contributions*

	<u>31-03-2010</u>	<u>31-03-2009</u>
	EUR	EUR
Value added tax	<u>0</u>	<u>82,535</u>

9 *Other debtors, prepayments and accrued income*

	<u>31-03-2010</u>	<u>31-03-2009</u>
	EUR	EUR
Security deposit	67,106	104,227
Prepaid contributions and subscriptions	46,082	19,607
Prepaid education fees	10,676	49,267
Current account Primoris Investments B.V.	2,016	2,016
Prepaid housing expenses	59,582	95,191
Other debtors	69	69
Wage costs	26,657	350,943
	<u>212,188</u>	<u>621,320</u>

The interest rate on the current account with Primoris Investments B.V. is amounted to 5% by quarter average.

10 *Cash at bank and in hand*

	<u>31-03-2010</u>	<u>31-03-2009</u>
	EUR	EUR
ABN AMRO Bank N.V.	161,731	206,821
Rabobank	0	1,315
Cash	31	138
	<u>161,762</u>	<u>208,274</u>

Shareholders' equity

11 *Issued and paid-up share capital*

The authorised share capital of Suzlon Energy B.V. is EUR 90.000, divided into 9.000 ordinary shares of EUR 10. Issued share capital comprises 1.800 ordinary shares.

12 *Other reserves*

	<u>2009/2010</u>	<u>2008/2009</u>
	EUR	EUR
Balance as at 1 April	(29,244,492)	(14,630,749)
Result after taxation	(14,289,158)	(14,613,743)
Balance as at 31 March	<u>(43,533,650)</u>	<u>(29,244,492)</u>

13 *Current liabilities*

All current liabilities fall due in less than one year. The fair value of the current liabilities approximates the book value due to its short term character.

14 *Amounts owed to credit institutions*

Amounts owed to credit institutions

	<u>31-03-2010</u>	<u>31-03-2009</u>
	EUR	EUR
Rabobank	3,446	0

15 *Payables to group companies*

	<u>31-03-2010</u>	<u>31-03-2009</u>
	EUR	EUR
AE-Rotor Holding B.V.	40,856,412	28,359,575
SE Drive Technik GmbH	204,791	204,791
	<u>41,061,203</u>	<u>28,564,366</u>

The interest rate on the payables to AE-Rotor Holding B.V. is amounted to 6,5% by quarter average. In respect of repayment and securities provided, no agreements have been made.

16 *Payables to affiliated companies*

	<u>31-03-2010</u>	<u>31-03-2009</u>
	EUR	EUR
Suzlon Wind Energy, Denmark	763,106	0
Suzlon Energy GmbH	0	2,809
Suzlon Wind Energy Corporation, USA	37,027	0
	<u>800,133</u>	<u>2,809</u>

17 *Taxes and social security contributions*

	<u>31-03-2010</u>	<u>31-03-2009</u>
	EUR	EUR
Wage taxes	154,088	121,066
Pension premiums	78,213	100,697
	<u>232,301</u>	<u>221,763</u>

18 *Other liabilities, accruals and deferred income*

	<u>31-03-2010</u>	<u>31-03-2009</u>
	EUR	EUR
Vacation money and days	58,748	94,171
Personnel expenses	0	769,923
Audit costs	10,000	3,500
Miscellaneous accruals and deferred income	3,963	1,766
Accounting costs	4,350	4,500
Bankinterest	469	607
	<u>77,530</u>	<u>874,467</u>

19 *Commitments*

(Long-term) financial obligations

The annual commitment in respect of a rent contract entered into is about EUR 350.000. This contract will expire at the end of 2011.

The annual lease commitments in respect of vehicles amount to about EUR 135.000.

Tax group liability

The company forms a fiscal unity for corporate income tax and turnover tax purposes with Suzlon Blade Technology B.V. and AE-Rotor Holding B.V. Under the Tax Collection Act, the company is jointly and severally liable for the taxes payable by the group.

Notes to the profit and loss account

Salaries and wages

20 Salaries and wages

	<u>2009/2010</u>	<u>2008/2009</u>
	EUR	EUR
Gross salaries	1,630,465	2,566,991
Severance payment	0	233,000
Movements in holiday allowance and entitlement not taken	(35,423)	56,453
Bonuses	(89,546)	671,032
Standing right	0	737,250
Commitment allowance	200,000	200,000
	<u>1,705,496</u>	<u>4,464,726</u>
Re-charged salaries and wages	854,097	59,396
Re-charged salaries and wages	(246,447)	0
	<u>2,313,146</u>	<u>4,524,122</u>

21 Social security contributions

	<u>2009/2010</u>	<u>2008/2009</u>
	EUR	EUR
Misc social security contributions	<u>77,601</u>	<u>122,836</u>

22 Pension contributions

	<u>2009/2010</u>	<u>2008/2009</u>
	EUR	EUR
Staff pension contributions	<u>288,715</u>	<u>734,436</u>

23 Depreciation on tangible fixed assets

	<u>2009/2010</u>	<u>2008/2009</u>
	EUR	EUR
Depreciation of tangible fixed assets	<u>142,624</u>	<u>282,743</u>

Depreciation of tangible fixed assets

	<u>2009/2010</u>	<u>2008/2009</u>
	EUR	EUR
Office inventory	142,624	181,119
Loss on sale of tangible fixed assets	0	101,624
	<u>142,624</u>	<u>282,743</u>

24 *Other operating expenses*

	<u>2009/2010</u>	<u>2008/2009</u>
	EUR	EUR
Other personnel expenses	1,219,374	2,428,308
Housing expenses	360,208	448,799
Selling expenses	0	227,864
Car expenses	85,498	202,430
Office expenses	248,102	291,767
General expenses	7,313,834	3,776,130
	<u>9,227,016</u>	<u>7,375,298</u>

Other personnel expenses

	<u>2009/2010</u>	<u>2008/2009</u>
	EUR	EUR
Temporary staff	69,423	1,002,651
Education expenses	78,622	112,567
Seminars	551	4,676
Recruitment expenses	129,129	244,071
Travelling expenses	188,141	164,026
Flight tickets expenses	241,015	500,346
Canteen expenses	2,698	9,674
Insurances	10,822	97,978
Rent housing personnel	17,400	68,385
Meeting expenses	350	24,891
Other personnel expenses	481,223	199,043
	<u>1,219,374</u>	<u>2,428,308</u>

Housing expenses

	<u>2009/2010</u>	<u>2008/2009</u>
	EUR	EUR
Rent en utilities	344,777	375,394
Cleaning expenses	7,267	20,066
Insurance policies	8,164	4,361
Other housing expenses	0	48,978
	<u>360,208</u>	<u>448,799</u>

Car expenses

	<u>2009/2010</u>	<u>2008/2009</u>
	EUR	EUR
Lease expenses	83,348	171,537
Car parking fees	0	22,945
Miscellaneous car expenses	2,150	7,948
	<u>85,498</u>	<u>202,430</u>

Office expenses

	<u>2009/2010</u>	<u>2008/2009</u>
	EUR	EUR
Repair and maintenance of office equipment	79,253	63,998
Contributions and subscriptions	70,156	53,635
Office supplies	5,529	18,421
Telephone, internet and fax expenses	88,830	142,055
Postage	3,287	9,136
Miscellaneous office expenses	1,047	4,522
	<u>248,102</u>	<u>291,767</u>

General expenses

	<u>2009/2010</u>	<u>2008/2009</u>
	EUR	EUR
Audit fee	16,500	5,250
Compilation expenses	7,250	7,000
Accountants expenses outsourcing	0	7,646
Consulting fee	7,342,968	3,746,791
Other general expenses	(52,884)	9,443
	<u>7,313,834</u>	<u>3,776,130</u>

Financial income and expense

25 *Interest and similar income*

	<u>2009/2010</u>	<u>2008/2009</u>
	EUR	EUR
Suzlon Blade Technology B.V.	25,492	63,106
Interest loan Primoris Investments B.V.	0	54,670
Interest Primoris Investments B.V.	0	29,932
Interest on mortgage ABN AMRO	0	22,771
	<u>25,492</u>	<u>170,479</u>

26 *Interest and similar expenses*


	<u>2009/2010</u>	<u>2008/2009</u>
	EUR	EUR
Interest AE-Rotor Holding B.V.	2,214,024	1,504,225
Interest charges on bank overdrafts	2,980	5,951
Exchange differences on cash items	48,330	1,419
Other interest expense	214	1,887
	<u>2,265,548</u>	<u>1,513,482</u>

Other information

27 *Average number of employees*

During the year 2009/2010, the average number of employees calculated on a full-time-equivalent basis was 14 (2008/2009: 18). Of these employees 0 were employed abroad (2008/2009: 0).

Amsterdam, 25 May 2010
Suzlon Energy B.V.



Director

Other information

Provision in the articles of association governing the appropriation of profits

In accordance with the Articles of Association the net result for the year is at the free disposal of the General Meeting of Shareholders.

Appropriation of result

In anticipation of the Annual General Meeting's adoption of the financial statements, the net loss of EUR 14,289,158 has been charged to the other reserves.