

Auditors' Report

To
The Members of Suzlon Wind Energy Corporation

1. We have audited the attached consolidated balance sheet of Suzlon Wind Energy Corporation ('SWECO' or 'the Company') and its subsidiary (collectively 'SWECO Group') as at March 31, 2010 and also the consolidated profit and loss account and the consolidated cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.
2. We conducted our audit in accordance with 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 management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We report that the consolidated financial statements have been prepared by SWECO's management in accordance with the requirements of Accounting Standard-21, consolidated financial statements, issued by the Institute of Chartered Accountants of India.
4. We did not audit the financial statements of Cannon Ball Wind Park LLC -1, whose financial statements reflect Group's share of total assets of USD 16,367 as at March 31, 2010 and Group's share of total revenue of Nil for the year then ended.
5. In our opinion, and to the best of our information and according to the explanations given to us, the attached consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India;
 - (a) in the case of the consolidated balance sheet of the state of affairs of the SWECO Group as at March 31, 2010;
 - (b) in the case of the consolidated profit and loss account of the profit of the SWECO Group for the year ended on that date; and
 - (c) in the case of the consolidated cash flow statement, of the cash flows of the SWECO Group for the year ended on that date.

For S.R. BATLIBOI & Co
Chartered Accountants
Firm Registration No. 301003E

per Arvind Sethi
Partner
Membership No. 89802
Place: Pune, India
Date: May 20, 2010

Suzlon Wind Energy Corporation
Consolidated Profit and Loss Account for the year ended March 31, 2010
All amounts in US Dollars unless otherwise stated

Particulars	Schedule	March 31, 2010	March 31, 2009
INCOME			
Sales		500,551,722	1,115,549,291
Service Income		20,746,758	9,628,075
Other Income	H	1,985,659	2,160,396
		523,284,140	1,127,337,762
EXPENDITURE			
Cost of Sales		464,535,735	1,098,174,867
Operating and Other Expenses	I	13,006,664	10,700,319
Employees' Remuneration and Benefits	J	13,670,305	7,991,387
Financial Charges	K	2,338,719	2,574,561
Depreciation	E	1,923,880	1,566,736
		495,475,303	1,121,007,870
PROFIT/(LOSS) BEFORE TAX		27,808,837	6,329,892
Current Tax		(130,339)	419,017
Deferred Tax (Asset)/Liability		-	-
		(130,339)	419,017
NET PROFIT/(LOSS)		27,939,176	5,910,875
Balance Brought Forward		(52,629,812)	(58,540,687)
LOSS CARRIED TO BALANCE SHEET		(24,690,636)	(52,629,812)
Significant accounting policies and notes to accounts	L		

The schedules referred to above and notes to accounts form an integral part of the balance sheet.

As per our report of even date

For and on behalf of Suzlon Wind Energy Corporation

S. R. Batliboi & Co.
Chartered Accountants

per Arvind Sethi
Partner

Joseph Siprut
Vice President Finance

Andris Cukurs
Director

Place: Pune
Date: June 18, 2010

Place: Chicago
Date: June 18, 2010

Place: Chicago
Date: June 18, 2010

Suzlon Wind Energy Corporation
Cash Flow Statement for the year ended March 31, 2010
All amounts in US Dollars unless otherwise stated

Particulars	Year ended March 31,	Year ended March 31,
	2010	2009
A. CASH FLOW FROM OPERATING ACTIVITIES		
Profit Before Tax	27,808,837	6,329,892
Adjustments for		
Depreciation	1,923,880	1,566,736
Interest Expenses	1,646,282	2,506,449
Interest Income	(1,985,534)	(1,824,410)
Operating Profit before Working Capital Changes	29,393,466	8,578,667
Adjustments for		
Decrease / (Increase) in Loans and Advances	(52,128,217)	48,233,172
Decrease / (Increase) in Sundry Debtors	131,979,256	(142,013,938)
Decrease / (Increase) in Inventories	(11,838,699)	24,356,966
Decrease / (Increase) in Current Liabilities & Provisions	(53,229,657)	133,187,716
Decrease / (Increase) in Unbilled Receivable	(120,924,491)	(68,829,438)
Cash Generated from Operations	(76,748,341)	3,513,145
Direct Taxes Paid (net of refunds)	(320,923)	(151,015)
Net Cash Flow from Operating Activities	(77,069,264)	3,362,130
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(747,132)	(2,642,018)
Sale of Fixed Assets		
Interest Income	1,985,534	1,824,410
Net Cash Flow from Investing Activities	1,238,401	(817,608)
C. CASH FLOW FROM FINANCING ACTIVITIES		
Share Application Money Received	45,000,000	
Proceeds from borrowings	77,983	9,998,247
Repayment of borrowings	0	(24,867)
Interest Expenses	(1,646,282)	(2,506,449)
Net Cash Flow from Financing Activities	43,431,700	7,466,931
D. NET INCREASE IN CASH AND CASH EQUIVALENTS (A+B+C)	(32,399,163)	10,011,454
Opening Balance of Cash and Cash Equivalents	48,060,084	38,048,631
Closing Balance of Cash and Cash Equivalents	15,660,921	48,060,084
Components of Cash & Cash Equivalents		
Cash on hand	2,850	2,600
Balances with banks		
- in current account	14,741,476	46,082,984
- in term deposit account	916,595	1,974,500
	15,660,921	48,060,084
Notes		
1 The figures in brackets represent outflows.		
2 Previous periods' figures have been regrouped / reclassified , wherever required.		

As per our report of even date

For and on behalf of Board of Directors

S. R. Batliboi & Co.
Chartered Accountants

per **Arvind Sethi**
Partner

Joseph Siprut
Vice President Finance

Andris Cukurs
Director

Place: Pune
Date: June 18, 2010

Place: Chicago
Date: June 18 2010

Place: Chicago
Date: June 18, 2010

Suzlon Wind Energy Corporation
Consolidated Balance Sheet as at March 31, 2010
All amounts in US Dollars unless otherwise stated

Particulars	Schedule	As at March 31,	As at March 31,
		2010	2009
<u>SOURCES OF FUNDS</u>			
Shareholders' Funds			
Share Capital	A	1,000	1,000
Reserves and Surplus	B	59,570,000	14,570,000
		59,571,000	14,571,000
Loan Funds			
Secured Loans	C	-	-
Unsecured Loans	D	10,536,232	10,458,247
		10,536,232	10,458,247
		70,107,232	25,029,247
<u>APPLICATION OF FUNDS</u>			
Fixed Assets			
Gross Block	E	9,283,601	8,536,469
Less :- Depreciation		4,887,224	2,964,161
Net Block		4,396,377	5,572,308
Deferred Tax Asset, net			
		-	-
Current Assets, Loans and Advances			
Inventories	F	37,200,267	25,361,567
Unbilled Receivables		320,799,566	199,875,075
Sundry Debtors		97,942,923	229,922,178
Cash and Bank Balances		15,660,921	48,060,084
Loans and Advances		106,541,190	53,962,529
		578,144,867	557,181,433
Less : Current Liabilities and Provisions			
Current Liabilities	G	498,902,806	540,932,290
Provisions		38,221,844	49,422,016
		537,124,650	590,354,306
Net Current Assets		41,020,217	(33,172,873)
Profit and Loss Account			
		24,690,636	52,629,812
		70,107,232	25,029,247

The schedules referred to above and notes to accounts form an integral part of the balance sheet.

As per our report of even date

For and on behalf of Suzlon Wind Energy Corporation

S. R. Batliboi & Co.
Chartered Accountants

per Arvind Sethi
Partner

Joseph Siprut
Vice President Finance

Andris Cukurs
Director

Place: Pune
Date: June 18, 2010

Place: Chicago
Date: June 18, 2010

Place: Chicago
Date: June 18, 2010

Suzlon Wind Energy Corporation
Schedules to the consolidated balance sheet as at March 31,2010
All amounts in US Dollars unless otherwise stated

Particulars	As at March 31, 2010	As at March 31, 2009
SCHEDULE- A : SHARE CAPITAL		
Authorised		
500,000 (500,000) equity shares of US dollar 1 each	500,000	500,000
	500,000	500,000
Issued, Subscribed		
Equity		
1,000 (1,000) equity shares of US dollar 1 each fully paid	1,000	1,000
	1,000	1,000
SCHEDULE- B : RESERVES AND SURPLUS		
Securities premium account (additional paid-in capital)	59,570,000	14,570,000
	59,570,000	14,570,000
SCHEDULE - C : SECURED LOANS		
Term loans from banks	-	0
	-	0
SCHEDULE- D : UNSECURED LOANS		
Loans from banks (L/c Devolved)	10,076,232	9,998,247
Cannon Ball district payable A/c	460,000	460,000
	10,536,232	10,458,247

Suzion Wind Energy Corporation
Schedules to the consolidated balance sheet as at March 31, 2010
 All amounts in US Dollars unless otherwise stated

SCHEDULE - E: FIXED ASSETS

Assets	Gross Block				Depreciation			Net Block	
	As at April 1, 2009	Additions	Deductions	As at March 31, 2010	As at April 1, 2009	Additions	Deductions	As at March 31, 2010	As at March 31, 2009
Freehold land and site development	9,800		-	9,800	-			9,800	9,800
Leasehold improvements	594,715	19,037	-	613,752	77,117	62,735		473,900	517,598
Plant and machinery	5,327,202	562,267	-	5,889,469	2,027,660	1,235,961		2,625,848	3,299,542
Computer and office equipment	1,585,474	139,945	-	1,725,419	596,371	433,148		695,901	989,103
Furniture and fixtures	780,459	-	-	780,459	128,152	142,533		509,775	652,308
Vehicles	238,819	25,884	-	264,703	134,861	48,688		81,154	103,958
TOTAL	8,536,469	747,133	-	9,283,602	2,964,161	1,923,064	-	4,396,377	5,572,308
Previous year	5,894,451	2,642,018	-	8,536,469	1,397,426	1,566,735	-	5,572,308	4,497,025

Suzlon Wind Energy Corporation
Schedules to the consolidated balance sheet as at March 31,2010

Particulars	As at March 31, 2010	As at March 31, 2009
SCHEDULE- F : CURRENT ASSETS, LOANS AND ADVANCES		
CURRENT ASSETS		
INVENTORIES		
Project work in progress	4,588,889	8,637,471
Semi finished goods, finished goods and work - in - pr	12,238,012	3,249,732
Consumable spares	20,373,366	13,474,364
	37,200,267	25,361,567
UNBILLED RECEIVABLE	320,799,566	199,875,075
SUNDRY DEBTORS		
(Unsecured)		
Outstanding for a period exceeding six months		
Considered good	-	6,986,695
Considered doubtful	-	-
	-	6,986,695
Others, Considered good	97,942,923	222,935,483
	97,942,923	229,922,178
Less: Provision for doubtful debts	-	-
	97,942,923	229,922,178
CASH AND BANK BALANCES		
Cash on hand	2,850	2,600
Balances with banks		
- in current account	14,741,476	46,082,984
- in term deposit account	916,595	1,974,500
	15,660,921	48,060,084
LOANS AND ADVANCES		
(Unsecured and considered good, except otherwise stated)		
Deposits	18,430	24,387
Advance Income-tax	489,072	37,807
Advances recoverable in cash or in kind or for value to	106,033,688	53,900,335
	106,541,190	53,962,529
SCHEDULE- G : CURRENT LIABILITIES AND PROVISIONS		
Current Liabilities		
Sundry creditors	52,933,515	73,213,054
Subsidiaries / holding companies	355,023,153	319,392,428
Other current liabilities	28,668,339	18,650,028
Advances from customers	62,277,799	129,676,780
	498,902,806	540,932,290
Provisions		
Employee bonus and leave encashment	2,240,149	1,405,087
Availability penalty and O & M warranty	35,981,695	47,746,039
Provision for tax (Net of advance tax payments)	-	270,890
	38,221,844	49,422,016
	537,124,650	590,354,306

Suzlon Wind Energy Corporation
Schedules to the consolidated profit and loss account for the year ended March 31, 2009

Particulars	March 31, 2010	March 31, 2009
SCHEDULE - H : OTHER INCOME		
Interest received		
From banks	104,892	244,509
From others	1,880,642	1,579,901
Miscellaneous income including royalty /management	125	335,986
	1,985,659	2,160,396
SCHEDULE - I : OPERATING AND OTHER EXPENSES		
Repairs and maintenance	141,394	124,993
Insurance	61,963	74,757
Rent	1,000,701	764,701
Rates and taxes	889,014	2,178
Advertisement and sales promotion	949,133	597,453
Travelling, conveyance and vehicle Expenses	2,734,435	2,037,184
Communication expenses	755,522	776,179
Auditors' remuneration and expenses	122,500	110,000
Consultancy charges	3,513,200	4,175,739
Charity and donations	20,669	15,200
Other selling and administrative expenses	2,153,057	1,594,228
IT related costs	661,847	624,165
Management fees	-	-
Foreign exchange fluctuation	3,229	(196,458)
	13,006,664	10,700,319
SCHEDULE - J : EMPLOYEES' REMUNERATION AND BENEFITS		
Salaries, wages, allowances and bonus	12,858,507	6,979,452
Staff welfare and related expenditure	811,798	1,011,935
	13,670,305	7,991,387
SCHEDULE - K : FINANCIAL CHARGES		
Interest		
Others	1,646,282	2,506,449
Bank charges	692,437	68,112
	2,338,719	2,574,561

SUZLON WIND ENERGY CORPORATION

SCHEDULE K: SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

(All amounts in US Dollars unless otherwise stated)

Nature of operations

Suzlon Wind Energy Corporation ('SWECO') was incorporated on October 1, 2001, to market wind energy generators. SWECO provides turnkey solutions along with operations and maintenance services to the wind energy industry. Suzlon Wind Energy Corporation is the wholly owned United States Subsidiary of Suzlon Energy A/S, Denmark ('Parent'). Suzlon Energy A/S is a wholly owned subsidiary of Suzlon Energy Limited, which is incorporated in India.

1. Basis of accounting and preparation of the financial statements

The accompanying consolidated financial statements are prepared under the historical cost convention, on an accrual basis of accounting in conformity with accounting principles generally accepted in India, to reflect the financial position of the company and its subsidiary. The financial statements are prepared only for the purpose of consolidating these financial statements with the financial statements of the parent. Accordingly, the following disclosures which are required to be made as per Indian GAAP have not been made:

Segment Reporting	Earning Per Share	Contingent Liabilities
Managerial Remuneration	Capital Commitments	Disclosure of Leases
Auditors' Remuneration	Details of Opening Stock, Turnover and Closing Stock	Derivative Instruments and Unhedged Foreign Currency Exposure
Expenditure in Foreign Currency	Impact of Changes in Accounting Policies	Value of CIF Imports
Disclosure pursuant to Accounting Standard 22- Taxes on Income	Disclosure pursuant to Accounting Standard 29- Provisions, Contingent Liabilities and Contingent Assets	Disclosures pursuant Accounting Standard 7- Construction Contracts
Disclosure pursuant to Accounting Standard 18- Related Party Disclosures	Disclosure under Micro, Small and Medium Enterprises Act	

2. Principles of Consolidation

The consolidated financial statements of SWECO include the accounts of SWECO and its wholly-owned subsidiary, Cannon Ball Wind Energy Park-I LLC (Collectively the 'Group'). The consolidated financial statements have been prepared on the following basis:

- The financial statements of the Company and its subsidiary have been combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses, after fully eliminating intra group balances and intra group transactions. The unrealized profits or losses resulting from intra group transactions have been eliminated as per Accounting Standard-21, Consolidated Financial Statements issued by the Institute of Chartered Accountants of India.
- The consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances and necessary adjustments required for deviations, if any, are made in the consolidated financial statements.

3. Significant Accounting Policies

a) Use of Estimates

The presentation of financial statements in conformity with the generally accepted accounting principles requires estimates and assumptions to be made that may affect the reported amount of assets and liabilities and disclosures relating to contingent liabilities as at the date of the financial statements and the

reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimated.

b) Revenue Recognition

Sale of goods

Fixed price contracts to deliver wind power systems (turnkey and supply-and-installation projects) are recognised in revenue based on the stage of completion of the individual contract using the percentage-of completion method, provided the order outcome as well as expected total costs can be reliably estimated.

The stage of completion of the contract is determined by the proportion that contract costs incurred for work performed up to the Balance Sheet date bear to the estimated total contract costs. Any expected excess of total cost over total forecasted contract revenue is recognised as an expense immediately.

Where the selling price of a contract cannot be estimated reliably, the selling price is measured only on the expenses incurred to the extent that it is probable that these expenses will be recovered. Prepayments from customers are recognised as liabilities. A contract in progress for which the selling price of the work performed exceeds interim billings and expected losses is recognised as an asset.

Service and Maintenance Income

Revenue from service and maintenance contracts is recognised on the proportionate basis for the period for which service is provided.

c) Fixed Assets

Fixed assets are stated at cost, less accumulated depreciation and impairment losses, if any. Cost includes all expenditure necessary to bring the asset to its working condition for its intended use.

d) Depreciation/Amortization

Depreciation/Amortisation is provided on the Straight line method ('SLM') unless otherwise mentioned, pro-rata to the period of use of assets and is based on management's estimate of useful lives of the fixed assets:

Type of asset	Estimated useful life (years)
Leasehold Improvements	25 Years
Plant and Machinery	3 to 7 years
Computer and Office Equipment	3 to 5 Years
Furniture and Fixtures	3 to 7 years
Vehicles	3 to 5 Years

e) Inventories

Inventories of contracts in progress and semi-finished goods and finished goods are valued at the lower of cost and estimated net realizable value. Cost is determined on weighted average basis.

f) Employee Benefits

Defined Contributions to designated fund are charged to the Profit and Loss Account on accrual basis. The provision in the books for unutilised leave lying to the credit of employees, subject to maximum period of leave, is made on the basis of the last drawn salary of the employees.

g) Provisions, Contingent Liabilities and Contingent Assets

A provision is recognised when there is a present obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to their present value and are determined on best

estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates. Contingent assets are not recognized.

h) Income Tax

Tax expense for a year comprises of current tax and deferred tax.

Deferred tax reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. If the company has carry forward of unabsorbed depreciation and tax losses, deferred tax assets are recognised only if there is virtual certainty that such deferred tax assets can be realised against future taxable profits. Unrecognised deferred tax assets of earlier years are reassessed and recognised to the extent it has become reasonably certain that future taxable income will be available against which such deferred tax assets can be realised.

i) Operating Leases

Assets acquired as leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating lease. Lease rentals are charged off to the Profit and Loss Account as incurred.

Initial direct costs in respect of assets given on lease are expensed off in the year in which such costs are incurred.

4. Prior year amounts have been reclassified wherever necessary to conform to current year presentation.

As per our report of even date

For and on behalf of Suzion Wind Energy Corporation

For S.R. BATLIBOI & Co
Chartered Accountants
Firm Registration No. 301003E

per Arvind Sethi
Partner

Joseph Siprut
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