



# Mahindra Satyam

Satyam Computer Services Limited

Regd Office: Mahindra Satyam Infocity, Unit - 12, Plot No. 35 & 36, Hi-tech City Layout,  
Survey No. 64, Madhapur, Hyderabad — 500 081.

**PART I: STATEMENT OF STANDALONE AUDITED FINANCIAL RESULTS FOR THE HALF YEAR ENDED SEPTEMBER 30, 2012**

Sl. No.	Particulars						(₹ in Lakhs)
		Quarter ended September 30, 2012 (Unaudited - refer Note 2)	Quarter ended June 30, 2012 (Unaudited)	Quarter ended September 30, 2011 (Unaudited)	Half Year ended September 30, 2012 (Audited)	Half Year ended September 30, 2011 (Unaudited)	Year ended March 31, 2012 (Audited)
1	Income from operations	178087	173806	147880	351893	280819	596421
2	Expenses						
	Employee benefits expense						
	Operating, administration and other expenses	103145	100637	88413	203782	172874	363542
	Depreciation and amortisation expense	37197	35083	36890	72280	64050	135350
	Total expenses	3899	4588	4163	8487	7489	14936
3	Profit from operations before other income, finance costs and exceptional items (1-2)	144241	140308	129466	284549	244413	513828
4	Other income (Refer Note 9)	33846	33498	18414	67344	36406	82593
5	Profit from ordinary activities before finance costs and exceptional items (3+4)	491	12751	10265	13242	19891	39014
6	Finance costs	34337	46249	28679	80586	56297	121607
7	Profit from ordinary activities after finance costs but before exceptional items (5-6)	271	293	196	564	628	1118
8	Exceptional items (Refer Note 10)	34066	45956	28483	80022	55669	120489
9	Profit from ordinary activities before tax (7-8)	-	-	-	-	-	(5182)
10	Tax expense (Refer Note 11)	34066	45956	28483	80022	55669	125671
11	Net Profit from ordinary activities after tax (9-10)	8890	12700	5320	21590	9490	5391
12	Paid-up equity share capital (Face value of ₹ 2/- per share)	25176	33256	23163	58432	46179	120280
13	Reserves excluding Revaluation Reserves	23538	23537	23535	23538	23535	23536
14	Earnings Per Share (EPS) (Face value of ₹ 2/- per share) *						307886
	-Basic (in ₹)	2.14	2.83	1.97	4.97	3.93	10.22
	-Diluted (in ₹)	2.14	2.82	1.97	4.96	3.92	10.21

\* Quarter and Half Year EPS figures are not annualised

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**PART II: SELECT INFORMATION FOR THE QUARTER AND HALF YEAR ENDED SEPTEMBER 30, 2012**

Sl. No.	Particulars	Quarter ended September 30, 2012	Quarter ended June 30, 2012	Quarter ended September 30, 2011	Half Year ended September 30, 2012	Half Year ended September 30, 2011	Year ended March 31, 2012
<b>A PARTICULARS OF SHAREHOLDING</b>							
1	Public shareholding #						
	- Number of shares	675036826	674981487	587319677	675036826	587319677	674954096
	- Percentage of shareholding	57.36	57.36	49.91	57.36	49.91	57.35
2	Promoters and Promoter group shareholding						
	a) Pledged / encumbered						
	- Number of shares	-	-	-	-	-	-
	- Percentage of shares (as a % of the total shareholding of promoter and promoter group)	-	-	-	-	-	-
	- Percentage of shares (as a % of the total share capital of the Company)	-	-	-	-	-	-
	b) Non - encumbered						
	- Number of shares	501843740	501843740	501843740	501843740	501843740	501843740
	- Percentage of shares (as a % of the total shareholding of promoter and promoter group)	100	100	100	100	100	100
	- Percentage of shares (as a % of the total share capital of the Company)	42.64	42.64	42.65	42.64	42.65	42.65

# Public shareholding excludes underlying shares of American Depository Shares (ADS) \*

- Number of shares	-	-	87577440	-	87577440	-
- Percentage of shareholding	-	-	7.44	-	7.44	-

\* The Securities and Exchange Commission of the United States of America has revoked the registration of the Company's ADS on March 29, 2012

**B. INVESTOR COMPLAINTS - FOR THE QUARTER ENDED SEPTEMBER 30, 2012:**

Nature	Pending as at	During the quarter		Pending as at
	June 30, 2012	Received	Disposed	September 30, 2012
Dividend related	-	9	9	-
Others	-	10	10	-
<b>Total</b>	-	<b>19</b>	<b>19</b>	-

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NOTES:

1. Standalone Statement of Assets and Liabilities:

(₹ in Lakhs)

Particulars		As at September 30, 2012 (Audited)	As at March 31, 2012 (Audited)
<b>A</b>	<b>EQUITY AND LIABILITIES</b>		
1.	<b>Shareholders' Funds</b>		
	(a) Share capital	23538	23536
	(b) Reserves and surplus	369955	307886
	<b>Sub-total-Shareholders' Funds</b>	<b>393493</b>	<b>331422</b>
2.	<b>Share application money pending allotment</b>	2	1
3.	<b>Non-current liabilities</b>		
	(a) Long-term borrowings	2310	2335
	(b) Other long-term liabilities	167	230
	(c) Long-term provisions	16213	15456
	<b>Sub-total-Non-current liabilities</b>	<b>18690</b>	<b>18021</b>
4.	<b>Current Liabilities</b>		
	(a) Trade payables	60795	58725
	(b) Other current liabilities	68980	77834
	(c) Short-term provisions	92535	94120
	<b>Sub-total-Current liabilities</b>	<b>222310</b>	<b>230679</b>
	<b>SUB-TOTAL</b>	<b>634495</b>	<b>580123</b>
	<b>Amounts pending investigation suspense account (net)</b> (Refer Note 6.3)	123040	123040
	<b>TOTAL</b>	<b>757535</b>	<b>703163</b>
<b>B</b>	<b>ASSETS</b>		
1	<b>Non-current assets</b>		
	(a) Fixed assets	99351	95351
	(b) Non-current investments	29024	17609
	(c) Deferred tax assets (net)	15619	16209
	(d) Long-term loans and advances	47358	42368
	(e) Other non-current assets	922	275
	<b>Sub-total-Non-current assets</b>	<b>192274</b>	<b>171812</b>
2	<b>Current assets</b>		
	(a) Current investments	10345	6221
	(b) Inventories	2346	1457
	(c) Trade receivables	145865	132764
	(d) Cash and cash equivalents (Refer Notes 6.3 and 7.2)	276451	268978
	(e) Short-term loans and advances	66436	69351
	(f) Other current assets	63818	52580
	<b>Sub-total-Current assets</b>	<b>565261</b>	<b>531351</b>
	<b>SUB-TOTAL</b>	<b>757535</b>	<b>703163</b>
	<b>Unexplained differences suspense account (net)</b> (Refer Note 6.2)	-	-
	<b>TOTAL</b>	<b>757535</b>	<b>703163</b>

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2. The standalone audited financial results of the Company for the half year ended September 30, 2012 and the standalone unaudited financial results of the Company for the quarter ended September 30, 2012 have been reviewed by the Audit Committee and were approved by the Board of Directors in their respective meetings held on October 30, 2012.

The Statutory Auditors have carried out an audit of the financial results for the half year ended September 30, 2012 and a limited review of the financial results for the quarter ended September 30, 2012.

3. Segment information has been presented in the Consolidated Audited Financial Results for the half year ended September 30, 2012 as permitted by AS 17 on Segment Reporting.
4. During the quarter ended September 30, 2012, the Company allotted 55,339 equity shares of ₹ 2 each, consequent to the exercise of stock options by the Associates.
5. **Proposed Scheme of Amalgamation and Arrangement**

The Board of Directors of the Company in their meeting held on March 21, 2012 have approved the "Scheme of Amalgamation and Arrangement, under sections 391 to 394 read with sections 78, 100 to 104 and other applicable provisions of the Companies Act, 1956, of Venturbay Consultants Private Limited and Satyam Computer Services Limited and C&S System Technologies Private Limited and Mahindra Logisoft Business Solutions Limited and CanvasM Technologies Limited with Tech Mahindra Limited and their respective shareholders and creditors" ("the Scheme").

Pursuant thereto, the shareholders of Tech Mahindra Limited and Satyam Computer Services Limited approved the Scheme at their meetings held on June 7, 2012 and June 8, 2012, respectively. The Company has filed a Company Petition for the requisite approval before the Hon'ble High Court of Andhra Pradesh ("the Court") on June 27, 2012. The Petition was admitted on July 9, 2012 and is pending hearing. As per the Scheme, consequent to the amalgamation of Venturbay Consultants Private Limited with Tech Mahindra Limited, Satyam Computer Services Limited shall amalgamate with Tech Mahindra Limited and the shareholders of the Company shall receive Two (2) equity shares of Tech Mahindra Limited of ₹ 10 each fully paid up in respect of every Seventeen (17) equity shares of ₹ 2 each fully paid up, held by them.

Upon coming into effect of the Scheme and with effect from the Appointed Date i.e. April 1, 2011 (after amalgamation of Venturbay with Tech Mahindra Limited is deemed to have taken effect), and subject to the provisions of the Scheme, the entire business and whole of the undertaking of the Company as a going concern including but not limited to all the movables and immovable properties, assets, debts, liabilities, duties and obligations of the Company, shall without any further act or deed, but subject to the charges affecting the same, be transferred and/or deemed to be transferred to and vested in Tech Mahindra Limited as a going concern so as to become the assets and liabilities of Tech Mahindra Limited.

The Company has received letters from thirty seven companies (refer Note 6.3) claiming themselves to be "creditors" and requesting inter-alia that the Company convene a meeting of the creditors and be allowed to vote on the resolution considering the proposed merger. The Company has responded to these letters denying the various contentions and allegations and further denying the claim of the thirty seven companies that they are creditors and stating that all relevant issues would be considered by the Court at the time of considering the Scheme. One of them has filed an application before the Court objecting to the Scheme and the Company has filed its counter affidavit.

On September 28, 2012, the Hon'ble High Court of Judicature at Bombay has approved the Company Petitions filed by Venturbay Consultants Private Limited, C&S System Technologies Private Limited, Mahindra Logisoft Business Solutions Limited, CanvasM Technologies Limited and Tech Mahindra Limited subject to the approval of the Company Petition filed by the Company before the Hon'ble High Court of Andhra Pradesh at Hyderabad.

#### 6. **Financial irregularities**

- 6.1. On January 7, 2009, in a communication ("the letter") addressed to the then-existing Board of Directors of the Company and copied to the Stock Exchanges and Chairman of Securities and Exchange Board of India ("SEBI"), the then Chairman of the Company, Mr. B. Ramalinga Raju ("the erstwhile Chairman") admitted that the Company's Balance Sheet as at September 30, 2008 carried inflated cash and bank balances, non-existent accrued interest, understated liability and overstated debtors position.

Consequently, various regulators/investigating agencies, such as the Central Bureau of Investigation (CBI), Serious Fraud Investigation Office (SFIO) / Registrar of Companies (ROC), SEBI, ED (refer Note 6.3), etc., have initiated their investigations and legal proceedings, which are ongoing.

As per the assessment of the Management, based on the forensic investigation and the information available, all identified/required adjustments/disclosures arising from the identified financial irregularities, had been made in the financial statements as at March 31, 2009.

Since matters relating to several of the financial irregularities are *sub judice* and the various investigations/proceedings are ongoing, any further adjustments/disclosures, if required, would be made in the financial results of the Company as and when the outcome of the above uncertainties is known and the consequential adjustments/disclosures are identified.

6.2. The Company, based on the forensic investigation, accounted ₹113932 Lakhs (net debit) under "Unexplained differences suspense account (net)" during FY 2008-09 due to non-availability of complete information and the same was fully provided for in that year on grounds of prudence. The Company has not received any further information which requires adjustments on this account to the financial results.

### 6.3. Alleged advances

Consequent to the letter of the erstwhile Chairman, on January 8, 2009, the Company received letters from thirty seven companies requesting confirmation by way of acknowledgement for receipt of certain alleged amounts referred to as "alleged advances". These letters were followed by legal notices from these companies dated August 4/5, 2009, claiming repayment of ₹ 123040 Lakhs allegedly given as temporary advances. The legal notices also claim damages/ compensation @18% per annum from the date of advance till the date of repayment. The Company has not acknowledged any liability to any of the thirty seven companies and has replied to the legal notices stating that the claims are legally untenable.

The Directorate of Enforcement (ED) is investigating the matter under the Prevention of Money Laundering Act, 2002 (PMLA) and directed the Company to furnish details with regard to the alleged advances and has further directed the Company not to return the alleged advances until further instructions from the ED. In furtherance to the investigation by the ED, the Company has been served with a provisional attachment order dated October 18, 2012 issued by the Joint Director, Directorate of Enforcement, Hyderabad under Section 5(1) of the PMLA ("the Order"), attaching certain Fixed Deposit accounts of the Company aggregating ₹ 82200 Lakhs for a period of 150 days. This attachment has been initiated consequent to the charge sheets filed by the Central Bureau of Investigation (CBI) against the erstwhile promoters of the Company and others and investigation conducted by the ED under the PMLA. As stated in the Order, the investigations of the ED revealed that ₹ 82200 Lakhs constitutes "proceeds of crime" as defined in the PMLA. The Company is examining the implications of this Order and will respond appropriately.

The thirty seven companies had filed petitions / suits for recovery against the Company before the City Civil Court, Secunderabad ("Court"), with a prayer that these companies be declared as indigent persons for seeking exemption from payment of requisite court fees.

Some petitions, (except in the case of one petition where court fees have been paid and the pauper petition converted into a suit which is pending hearing), are before the Court, at the stage of rejection / trial of pauperism.

The remaining petitions are at a preliminary stage before the Court, for considering condonation of delay in re-submission of pauper petitions. In one petition, the delay had been condoned by the Court and the Company has obtained an interim stay order from the Hon'ble High Court of Andhra Pradesh.

The Company has received legal notices from nearly all of the above companies, calling for payment of the amounts allegedly advanced by them (including interest and damages), failing which they would be constrained to file a petition for winding up the affairs of the Company. The Company has responded/ is in the process of responding by denying and refuting the claim and the maintainability of any such petition.

The amount of alleged advances aggregating to ₹ 123040 Lakhs (As at March 31, 2012 - ₹ 123040 Lakhs) has been presented separately in the Balance Sheet under "Amounts pending investigation suspense account (net)". Since the matter is *sub judice* and the investigation by various Government Agencies is in progress and having regard to all the related developments in this matter, the Management at this point of time, is not in a position to predict the ultimate outcome of the ongoing investigations/ legal proceedings.

### 6.4. Other matters

The Company has filed a civil suit in the City Civil Court Hyderabad, against the past Board of Directors (the Board prior to the Government nominated Board), certain former employees and the former statutory auditors, its affiliates and partners, seeking damages for inter-alia perpetrating fraud, breach of fiduciary responsibility and obligations and negligence in performance of duties. The matter is pending before the City Civil Court.



The former statutory auditors have filed a suit in the Ranga Reddy District Court against the Company and certain former Directors and former employees seeking, inter-alia, damages aggregating ₹ 10000 Lakhs and interest. The matter is pending hearing before the Ranga Reddy District Court and in the opinion of the Management, the claims insofar as they relate to the Company are not tenable. The Company has filed a petition in the Hon'ble High Court of Andhra Pradesh to transfer the said case from the Ranga Reddy District Court to the City Civil Court, Hyderabad, which is pending.

**7. Commitments and contingencies ( Update since the previous announcement under Clause 41)**

**7.1. Aberdeen (UK) complaint**

In April 2012, the Company was served with an Amended Claim Form and Amended Particulars of Claim dated December 22, 2011, initiating proceedings in the Commercial Court in London (the "English Court") by Aberdeen Asset Management PLC on behalf of 23 "Claimants" who are said to represent 30 funds who had invested in the Company's common stock that traded on the exchanges in India (the "English Action"). The English Action alleges the Claimants' losses to be in excess of USD 150 million and simple interest at 8% p.a.

The Company is currently contesting the jurisdiction of the English Court. Accordingly, it is uncertain whether the English Court will even continue to exercise jurisdiction over the lawsuit and consequently its outcome is unpredictable.

**7.2. Income tax matters**

**7.2.1. Petition before Hon'ble High Court of Andhra Pradesh**

The Company had filed various petitions before CBDT requesting for stay of demands for the financial years 2002-03 to 2007-08 till the correct quantification of income and taxes payable is done for the respective years. In March 2011, the CBDT rejected the Company's petition and the Company filed a Special Leave Petition before the Hon'ble Supreme Court which directed the Company to file a comprehensive petition/representation before CBDT giving all requisite details/particulars in support of its case for re-quantification/re-assessment of income for the aforesaid years and to submit a Bank Guarantee (BG) for ₹ 61700 Lakhs. Pursuant to the direction by the Hon'ble Supreme Court, the Company submitted the aforesaid BG and also filed a comprehensive petition before the CBDT in April 2011.

The CBDT vide its order July 11, 2011 disposed the Company's petition directing it to make its submissions before the Assessing Officer in course of the ongoing proceedings for the aforesaid years and directed the Income Tax Department not to encash the BG furnished by the Company till December 31, 2011. Aggrieved by CBDT's order, the Company filed a writ petition before the Hon'ble High Court of Andhra Pradesh on August 16, 2011. The Hon'ble High Court of Andhra Pradesh vide its order dated December 14, 2011 adjourned the hearing to January 31, 2012 and directed the Income Tax Department not to encash the BG until then. The BG has been subsequently extended upto April 19, 2013.

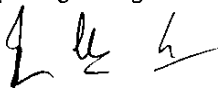
In the meanwhile, the Assessing Officer served an order for provisional attachment of properties under Section 281B of the Income Tax Act, 1961 on January 30, 2012 attaching certain immovable assets of the Company on the grounds that there is every likelihood of a large demand to be raised against the Company for the financial years 2002-03 to 2008-09 along with interest liability. Aggrieved by such order, the Company filed a writ petition in the Hon'ble High Court of Andhra Pradesh which granted a stay on the operation of the attachment order until disposal of the writ. These writ petitions are pending hearing.

**7.2.2. Appointment of Special Auditor and re-assessment proceedings**

Financial years 2001-02 and 2006-07:

The Assessing Officer had commissioned a special audit which has been challenged by the Company on its validity and terms vide writ petitions filed before the Hon'ble High Court of Andhra Pradesh (the "A.P. High Court"). The said petitions are pending hearing.

In August, 2011, the Additional Commissioner of Income Tax issued the Draft of Proposed Assessment Orders accompanied with the Draft Notice of demand amounting to ₹ 79603 Lakhs and ₹ 107573 Lakhs for the financial years 2001-02 and 2006-07, respectively, proposing variations to the total income, including variations on account of Transfer Pricing adjustments. The Company has filed its objections to the Draft of Proposed Assessment Orders for the aforesaid years on September 16, 2011 with the Hon'ble Dispute Resolution Panel, Hyderabad, which is pending hearing.



Financial years 2002-03 and 2007-08:

In December 2011, the Additional Commissioner of Income Tax appointed a Special Auditor under section 142(2A) of the Income Tax Act, 1961 to audit the accounts of the Company for financial years 2002-03 and 2007-08.

The above disputes may result in additional interest/penalty in case of an unfavourable order being finalised.

7.2.3. Provision for tax

The Company is carrying a total amount of ₹ 56067 Lakhs (net of payments) [As at March 31, 2012: ₹ 52279 Lakhs (net of payments)] towards provision for taxation including provisions pertaining to prior years for which the assessments are under dispute. Considering the effects of financial irregularities, status of the disputed tax demands and the appeals / claims pending before the various authorities, the consequent significant uncertainties regarding the outcome of these matters and the significant uncertainties in determining the tax liability, the Company has been professionally advised that it is not appropriate to make adjustments to the provisions pertaining to aforesaid prior years at this stage.

8. **Aberdeen action (USA)**

On November 13, 2009, a trustee of two trusts that are purported assignees of the claims of twenty investors who had invested in the Company's ADS and common stock, filed a complaint against the Company, its former auditors and others ("the Action") alleging losses suffered by the twenty investors (Claimants) to be over USD 68 Million.

On July 27, 2012, the Company entered into an Agreement of Settlement ("the Settlement") with Aberdeen Claims Administration, Inc., the trustee for the two trusts and the twenty underlying investors.

The obligations incurred pursuant to the Settlement are in full and final disposition of the Action and the appropriate consent order of the Court in the Southern District of New York has been received in the current quarter. Under the Settlement, the Company is required to inter-alia deposit in an Escrow Account an amount of USD 12 Million ("Settlement Amount").

An amount of ₹ 6673 Lakhs, being the rupee equivalent of the Settlement Amount has been expensed and disclosed as an Exceptional item with an equivalent amount being reversed from provision for contingencies during the quarter ended June 30, 2012.

9. **Other income includes:**

(₹ In Lakhs)

Particulars	Quarter ended September 30, 2012 (Unaudited - refer Note 2)	Quarter ended June 30, 2012 (Unaudited)	Quarter ended September 30, 2011 (Unaudited)	Half Year ended September 30, 2012 (Audited)	Half year ended September 30, 2011 (Unaudited)	Year ended March 31, 2012 (Audited)
Gain / (Loss) on Exchange Fluctuations (Net)	(8041)	5851	3806	(2190)	6003	6623

10. **Exceptional items**

The exceptional items (income) / expenditure are stated as under:

Particulars	(₹ In Lakhs)					
	Quarter ended September 30, 2012 (Unaudited - refer Note 2)	Quarter ended June 30, 2012 (Unaudited)	Quarter ended September 30, 2011 (Unaudited)	Half Year ended September 30, 2012 (Audited)	Half Year ended September 30, 2011 (Unaudited)	Year ended March 31, 2012 (Audited)
Provision for contingencies relating to various disputed matters	-	-	-	-	-	22000
Disputed matters settled	-	6673	-	6673	-	31126
<b>Sub-total (A)</b>	-	<b>6673</b>	-	<b>6673</b>	-	<b>53126</b>
Reversals relating to impairment losses in subsidiaries	-	-	-	-	-	(27182)
Release from provision for contingencies	-	(6673)	-	(6673)	-	(31126)
<b>Sub-total (B)</b>	-	<b>(6673)</b>	-	<b>(6673)</b>	-	<b>(58308)</b>
<b>Total (A)+(B)</b>	-	-	-	-	-	<b>(5182)</b>

11. **Tax expense**

Tax expense comprises current tax and deferred tax.

11.1. Current tax

The Company has made provision towards current tax in respect of its domestic operations for the quarter and half year ended September 30, 2012. Further, the Management has assessed the Company's tax position in respect of its overseas operations taking into account the relevant rules and regulations as applicable in the respective countries. Based on professional advice, it has determined that the provision made currently is adequate.

11.2. Deferred tax

Recognition of deferred tax is as permitted by the Accounting Standard (AS) 22 on Accounting for Taxes on Income, taking into account the principles of prudence in respect of certain items.

12. **Previous period figures**

Previous period figures have been regrouped, wherever necessary.

13. **Qualifications in the Auditors Report**

*The qualifications made by the Auditors in their audit report for the half year ended September 30, 2012 and their limited review report for the quarter ended September 30, 2012 are set out as under. These qualifications were also made in the Auditors' report for the year ended March 31, 2012 and in their limited review report for the quarter ended June 30, 2012.*

- 13.1. (a) Inability to comment on any adjustments/disclosures which may become necessary as a result of further findings of the ongoing investigations/ legal proceedings by the regulatory authorities and the consequential impact, if any, on the financial results.
- (b) Inability to comment on the accounting treatment/disclosure of the unexplained amounts aggregating ₹113932 Lakhs accounted under "Unexplained differences suspense account (net)" which was fully provided for in the financial results for the year ended March 31, 2009.
- (c) Inability to determine whether any adjustments/disclosure will be required in respect of the alleged advances amounting to ₹ 123040 Lakhs (net) and in respect of the non-accounting of any damages / compensation / interest in the financial results.
- 13.2. Inability to comment on the consequential impact, if any, in relation to the Aberdeen (UK) Complaint, filed by certain investors in the United Kingdom, the outcome of which is not determinable at this stage.



13.3. Inability to comment on the adequacy or otherwise of the provision for taxation pertaining to prior years for which the assessments are under dispute and the consequential impact, if any, due to uncertainties regarding the outcome of the tax disputes and the tax demands pending before various authorities.


**14. Responses to Auditors' qualification**

- 14.1. (a) With regard to the Auditors' qualification in Note 13.1(a), refer to Note 6.1 for details  
(b) With regard to the Auditors' qualification in Note 13.1(b), refer to Note 6.2 for details  
(c) With regard to the Auditors' qualifications in Note 13.1(c), refer Note 6.3 for details
- 14.2. With regard to the Auditors' qualification in Note 13.2 above, refer Note 7.1 for details
- 14.3. With regard to the Auditors' qualification in Note 13.3 above, refer Note 7.2 for details

**For and on behalf of the Board of Directors**



Place: Hyderabad  
Date: October 30, 2012

  
Vineet Nayyar  
Chairman

**AUDITORS' REPORT TO  
THE BOARD OF DIRECTORS OF  
SATYAM COMPUTER SERVICES LIMITED**

**Audit Report on the Standalone Financial Results for the half year ended  
September 30, 2012**

1. We have audited the Standalone Financial Results of **SATYAM COMPUTER SERVICES LIMITED** ("the Company") for the half year ended September 30, 2012 reflected under the column titled "Half Year ended September 30, 2012 (Audited)" and the related Notes ("the Standalone Financial Results") included in the accompanying Statement of Standalone Audited Financial Results for the half year ended September 30, 2012 ("the Statement"), being submitted by the Company pursuant to the requirements of Clause 41 of the Listing Agreements with the Stock Exchanges, except for the matters stated in paragraph 10 below.

**Management's Responsibility for the Standalone Financial Results**

2. The Standalone Financial Results are the responsibility of the Company's Management and have been approved by the Board of Directors. Our responsibility is to express an opinion on the aforesaid financial results based on our audit. These financial results have been prepared in accordance with the recognition and measurement principles laid down in Accounting Standard (AS) 25, Interim Financial Reporting issued pursuant to the Companies (Accounting Standards) Rules, 2006 and other accounting principles generally accepted in India.

**Auditors' Responsibility**

3. **Subject to the matters discussed in this report**, we conducted our audit of the Standalone Financial Results included in the Statement, 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 results are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and the disclosures with respect to the financial results. An audit also includes assessing the accounting principles used and the significant estimates made by the Management. We believe that our audit provides a reasonable basis for our qualified opinion.

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# Deloitte Haskins & Sells

## Basis for Opinion

4. Attention is invited to the following matters:

a. As stated in Note 6.1 of the Statement:

- i. In respect of the financial irregularities relating to prior years identified consequent to the letter dated January 7, 2009 of the erstwhile Chairman, various regulators/investigating agencies initiated their investigations and legal proceedings, which are ongoing.
- ii. The forensic accountants had expressed certain reservations and limitations in their investigation process.
- iii. The Management is of the view that since matters relating to several of the financial irregularities are *sub judice* and various investigations/proceedings are ongoing, any further adjustments/disclosures to the financial statements, if required, would be made in the financial statements of the Company as and when the outcome of the above uncertainties is known and the consequential adjustments/disclosures are identified.

**In view of the above, we are unable to comment on the adjustments/disclosures which may become necessary as a result of further findings of the ongoing investigations/legal proceedings and the consequential impact, if any, on these financial results.**

- b. The Company had, based on the forensic investigation, accounted for the differences aggregating ₹ 113932 Lakhs (net debit) as at March 31, 2009 under "Unexplained differences suspense account (net)" due to non-availability of complete information. These net debit amounts aggregating ₹ 113932 Lakhs had been fully provided for on grounds of prudence in the financial statements for the year ended March 31, 2009 (Refer Note 6.2 of the Statement).

**In the absence of complete / required information, we are unable to comment on the accounting treatment/disclosure of the aforesaid unexplained amounts aggregating ₹ 113932 Lakhs accounted under "Unexplained differences suspense account (net)" and the consequential impact, if any, on these financial results.**

- c. The alleged advances amounting to ₹ 123040 Lakhs (net) relating to prior years has been presented separately under "Amounts pending investigation suspense account (net)" in the Balance Sheet. The details of these claims and the related developments are more fully described in Note 6.3 of the Statement.

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The Management has represented that since the matter is *sub judice* and the investigations by various Government agencies are in progress, the Management, at this point of time is not in a position to predict the ultimate outcome of the ongoing investigations/legal proceedings.

**In view of the above, we are unable to determine whether any adjustments/disclosures will be required in respect of the aforesaid alleged advances amounting to ₹ 123040 Lakhs (net) and in respect of the non-accounting of any damages/compensation/interest in these financial results.**

5. Aberdeen Asset Management PLC on behalf of 23 claimants who are said to represent 30 funds who had invested in the Company's common stock filed a claim against the Company (the "Aberdeen (UK) Complaint") in the Commercial Court in London, United Kingdom (UK) in April 2012 (Refer Note 7.1 of the Statement). Based on the legal advice obtained by the Company, the Company is contesting the above lawsuit.

**Since the matter is *sub judice*, the outcome of which is not determinable at this stage, we are unable to comment on the consequential impact, if any, on these financial results.**

6. The Company is carrying a total amount of ₹ 56067 Lakhs (net of payments) as at September 30, 2012 [As at March 31, 2012: ₹ 52279 Lakhs (net of payments)] towards provision for taxation including provisions pertaining to prior years for which the assessments are under dispute. Considering the effects of financial irregularities, status of disputed tax demands, appeals/claims pending before the various authorities, the consequent significant uncertainties regarding the outcome of these matters and the significant uncertainties in determining the tax liability, the Company has been professionally advised that it is not appropriate to make adjustments to the tax provisions pertaining to the aforesaid prior years at this stage (Refer Note 7.2.3 of the Statement).

**In view of the above, we are unable to comment on the adequacy or otherwise of the provision for taxation pertaining to prior years for which the assessments are under dispute and the consequential impact, if any, on these financial results.**

7. We invite attention to the following matters relating to claims and contingencies which continue to exist as at September 30, 2012:
  - a. There are various demands/disputes raised in respect of the past years by the indirect tax authorities in India (₹ 6400 Lakhs (including penalty and interest)).
  - b. Matters relating to non-compliance with Foreign Exchange Management Act (FEMA), 1999 in respect of realization and repatriation of export proceeds relating to earlier years.

The provision for contingencies as at September 30, 2012, in the opinion of the Management, is adequate, inter alia, to cover any probable losses in respect of the above litigations and claims.

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8. We invite attention to the non-compliances/breaches observed in the prior years under the erstwhile Management relating to certain provisions of the Companies Act, 1956 and certain employee stock option guidelines issued by the Securities Exchange Board of India and certain matters requiring compliance under the provisions of FEMA.

The Management has represented that the Company has made/is proposing to make an application to the appropriate authorities, where applicable, for condoning non-compliances and breaches relatable to the Company. Any adjustments, if required, in the financial statements of the Company would be made as and when the outcomes of the above matters are concluded.

## Opinion

9. Further to our comments in paragraphs 7 and 8, based on our audit of the Standalone Financial Results included in the Statement, conducted as stated in paragraph 3 above, **subject to the consequential effects, if any, of our comments in paragraphs 4, 5 and 6 above which are not quantifiable**, we are of the opinion that the said financial results for the half year ended September 30, 2012:
- (i) are presented in the Statement in accordance with the requirements of Clause 41 of the Listing Agreements with the Stock Exchanges to the extent applicable; and
  - (ii) give a true and fair view in conformity with the accounting principles generally accepted in India in case of the net profit and other financial information of the Company for the half year ended September 30, 2012.

## Other Reporting Requirements

10. Further, we also report that we have traced the number of shares as well as the percentage of shareholding in respect of the aggregate amount of public shareholding and the number of shares as well as the percentage of shares pledged/encumbered and non-encumbered in respect of the aggregate amount of promoters and promoter group shareholding in terms of Clause 35 of the Listing Agreements and the particulars relating to undisputed investor complaints from the details furnished by the Company.

For **DELOITTE HASKINS & SELLS**  
Chartered Accountants  
(Registration No. 008072S)



K. Sai Ram  
Partner  
(Membership No. 022360)

HYDERABAD, October 30, 2012

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**AUDITORS' REPORT TO  
THE BOARD OF DIRECTORS OF  
SATYAM COMPUTER SERVICES LIMITED**

**Limited Review Report on the Standalone Financial Results for the quarter ended  
September 30, 2012**

1. We have reviewed the Standalone Financial Results of **SATYAM COMPUTER SERVICES LIMITED** ("the Company") for the quarter ended September 30, 2012 reflected under the column titled "Quarter ended September 30, 2012 (Unaudited – refer Note 2)" and the related Notes ("the Standalone Financial Results") included in the accompanying Statement of Standalone Audited Financial Results for the half year ended September 30, 2012 ("the Statement").

**Management's Responsibility for the Standalone Financial Results**

2. The Standalone Financial Results are the responsibility of the Company's Management and have been approved by the Board of Directors. Our responsibility is to issue a report on the aforesaid financial results based on our review.

**Auditors' Responsibility**

3. **Subject to the matters discussed in this report**, we conducted our review of the Standalone Financial Results included in the Statement in accordance with the Standard on Review Engagements (SRE) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Institute of Chartered Accountants of India. This Standard requires that we plan and perform the review to obtain moderate assurance as to whether the financial results are free of material misstatements. A review is limited primarily to inquiries of Company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

**Basis for Conclusion**

4. Attention is invited to the following matters:
  - a. As stated in Note 6.1 of the Statement:
    - i. In respect of the financial irregularities relating to prior years identified consequent to the letter dated January 7, 2009 of the erstwhile Chairman, various regulators/investigating agencies initiated their investigations and legal proceedings, which are ongoing.

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- ii. The forensic accountants had expressed certain reservations and limitations in their investigation process.
- iii. The Management is of the view that since matters relating to several of the financial irregularities are *sub judice* and various investigations/proceedings are ongoing, any further adjustments/disclosures to the financial statements, if required, would be made in the financial statements of the Company as and when the outcome of the above uncertainties is known and the consequential adjustments/disclosures are identified.

**In view of the above, we are unable to comment on the adjustments/disclosures which may become necessary as a result of further findings of the ongoing investigations/legal proceedings and the consequential impact, if any, on these financial results.**

- b. The Company had, based on the forensic investigation, accounted for the differences aggregating ₹ 113932 Lakhs (net debit) as at March 31, 2009 under "Unexplained differences suspense account (net)" due to non-availability of complete information. These net debit amounts aggregating ₹ 113932 Lakhs had been fully provided for on grounds of prudence in the financial statements for the year ended March 31, 2009 (Refer Note 6.2 of the Statement).

**In the absence of complete / required information, we are unable to comment on the accounting treatment/disclosure of the aforesaid unexplained amounts aggregating ₹ 113932 Lakhs accounted under "Unexplained differences suspense account (net)" and the consequential impact, if any, on these financial results.**

- c. The alleged advances amounting to ₹ 123040 Lakhs (net) relating to prior years has been presented separately under "Amounts pending investigation suspense account (net)" in the Balance Sheet. The details of these claims and the related developments are more fully described in Note 6.3 of the Statement.

The Management has represented that since the matter is *sub judice* and the investigations by various Government agencies are in progress, the Management, at this point of time is not in a position to predict the ultimate outcome of the ongoing investigations/legal proceedings.

**In view of the above, we are unable to determine whether any adjustments/disclosures will be required in respect of the aforesaid alleged advances amounting to ₹ 123040 Lakhs (net) and in respect of the non-accounting of any damages/compensation/interest in these financial results.**



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5. Aberdeen Asset Management PLC on behalf of 23 claimants who are said to represent 30 funds who had invested in the Company's common stock filed a claim against the Company (the "Aberdeen (UK) Complaint") in the Commercial Court in London, United Kingdom (UK) in April 2012 (Refer Note 7.1 of the Statement). Based on the legal advice obtained by the Company, the Company is contesting the above lawsuit.

**Since the matter is *sub judice*, the outcome of which is not determinable at this stage, we are unable to comment on the consequential impact, if any, on these financial results.**

6. The Company is carrying a total amount of ₹ 56067 Lakhs (net of payments) as at September 30, 2012 [As at March 31, 2012: ₹ 52279 Lakhs (net of payments)] towards provision for taxation including provisions pertaining to prior years for which the assessments are under dispute. Considering the effects of financial irregularities, status of disputed tax demands, appeals/claims pending before the various authorities, the consequent significant uncertainties regarding the outcome of these matters and the significant uncertainties in determining the tax liability, the Company has been professionally advised that it is not appropriate to make adjustments to the tax provisions pertaining to the aforesaid prior years at this stage (Refer Note 7.2.3 of the Statement).

**In view of the above, we are unable to comment on the adequacy or otherwise of the provision for taxation pertaining to prior years for which the assessments are under dispute and the consequential impact, if any, on these financial results.**

7. We invite attention to the following matters relating to claims and contingencies which continue to exist as at September 30, 2012:
  - a. There are various demands/disputes raised in respect of the past years by the indirect tax authorities in India (₹ 6400 Lakhs (including penalty and interest)).
  - b. Matters relating to non-compliance with Foreign Exchange Management Act (FEMA), 1999 in respect of realization and repatriation of export proceeds relating to earlier years.

The provision for contingencies as at September 30, 2012, in the opinion of the Management, is adequate, inter alia, to cover any probable losses in respect of the above litigations and claims.

8. We invite attention to the non-compliances/breaches observed in the prior years under the erstwhile Management relating to certain provisions of the Companies Act, 1956 and certain employee stock option guidelines issued by the Securities Exchange Board of India and certain matters requiring compliance under the provisions of FEMA.

The Management has represented that the Company has made/is proposing to make an application to the appropriate authorities, where applicable, for condoning non-compliances and breaches relating to the Company. Any adjustments, if required, in the financial statements of the Company would be made as and when the outcomes of the above matters are concluded.





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## Conclusion

9. Further to our comments in paragraphs 7 and 8, based on our review of the Standalone Financial Results included in the Statement, conducted as stated in paragraph 3 above, **with the exception of the matters described in paragraphs 4, 5 and 6 above, the consequential impact of which is not quantifiable**, nothing has come to our attention that causes us to believe that the said financial results for the quarter ended September 30, 2012, prepared in accordance with the Accounting Standards referred to in Section 211 (3C) of the Companies Act, 1956 and other recognised accounting practices and policies, have not disclosed the information required to be disclosed in terms of Clause 41 of the Listing Agreements with the stock exchanges, including the manner in which it is to be disclosed, or that they contain any material misstatement.

## Other Reporting Requirements

10. Further, we also report that we have traced the number of shares as well as the percentage of shareholding in respect of the aggregate amount of public shareholding and the number of shares as well as the percentage of shares pledged/encumbered and non-encumbered in respect of the aggregate amount of promoters and promoter group shareholding in terms of Clause 35 of the Listing Agreements and the particulars relating to undisputed investor complaints from the details furnished by the Company.

For **DELOITTE HASKINS & SELLS**  
Chartered Accountants  
(Registration No. 008072S)



K. Sai Ram  
Partner  
(Membership No. 022360)

HYDERABAD, October 30, 2012