



SONATA SOFTWARE

The power of partnership

annual report
2002 - 03



Performance Highlights

SONATA SOFTWARE LIMITED

Rs. in millions

PARTICULARS	Quarter ended 31.03.03	Quarter ended 31.03.02	Quarter ended 31.03.03	Quarter ended 31.03.02	Year ended 31.03.03	Year ended 31.03.02	Year ended 31.03.03	Year ended 31.03.02
	CONSOLIDATED			CONSOLIDATED				
TOTAL INCOME	645.78	667.76	213.46	169.15	2,578.34	2,275.34	845.52	837.14
EXPORTS	256.42	238.57	209.48	167.00	1,022.42	1,001.30	834.30	813.72
EBIDT	61.56	41.26	50.48	29.19	256.61	262.12	215.22	214.38
PROFIT AFTER TAX	39.53	30.28	41.22	20.95	152.54	208.90	155.78	178.05
FIXED ASSETS	234.47	276.54	102.67	109.84	234.47	276.54	102.67	109.84
TOTAL DEBT	4.60	9.10	-	-	4.60	9.10	-	-
NET WORTH -CLOSING	1,403.19	1,307.28	1,468.63	1,369.48	1,403.19	1,307.28	1,468.63	1,369.48
EQUITY	105.16	105.16	105.16	105.16	105.16	105.16	105.16	105.16

RATIOS

PARTICULARS	Quarter ended 31.03.03	Quarter ended 31.03.02	Quarter ended 31.03.03	Quarter ended 31.03.02	Year ended 31.03.03	Year ended 31.03.02	Year ended 31.03.03	Year ended 31.03.02
	CONSOLIDATED			CONSOLIDATED				
EXPORTS INCOME/TOTAL INCOME	39.71%	35.73%	98.14%	98.73%	39.65%	44.01%	98.67%	97.20%
DOMESTIC INCOME/ TOTAL INCOME	59.49%	63.87%	-	-	59.75%	54.77%	-	-
OTHER INCOME/TOTAL INCOME	0.80%	0.40%	1.86%	1.27%	0.60%	1.22%	1.33%	2.80%
OPERATING EXPENSES/TOTAL INCOME	36.51%	31.21%	75.52%	86.90%	34.15%	38.97%	73.36%	77.13%
EBIDT/TOTAL INCOME	9.53%	6.18%	23.65%	17.26%	9.95%	11.52%	25.45%	25.61%
PAT/TOTAL INCOME	6.12%	4.53%	19.31%	12.39%	5.92%	9.18%	18.42%	21.27%
DEBT: EQUITY ¹	0.003	0.01	-	-	0.003	0.01	-	-
DEBTORS NO. OF DAYS	81	71	103	106	81	84	104	87
RETURN ON AVG NETWORTH ²	11.28%	9.32%	11.25%	6.14%	11.26%	19.42%	10.98%	15.61%
RETURN ON AVG CAPITAL EMPLOYED ³	11.37%	9.18%	11.25%	6.14%	11.29%	18.80%	10.98%	15.61%
EPS (Annualised) (on Re.1/per share) ⁴	1.50	1.15	1.57	0.80	1.45	1.99	1.48	1.70
BOOK VALUE PER SHARE -(Rs) ⁵	13.32	12.35	13.94	12.99	12.89	10.23	13.49	10.85

EXPLANATORY NOTES :

¹ Debt divided by Closing Shareholders funds.

² Profits divided by Average Network.

³ Profit after tax + Interest on term loan divided by Average Capital employed
(Capital employed = Capital + Reserves +Borrowed funds - Miscellaneous Expenditure).

⁴ Profits divided by weighted average no. of equity shares.

⁵ Average Network divided by no. of equity shares.



Adversity brings out the best in us

At a time when enterprises across the world are trying to make their IT budgets work harder; the demands on partners are severe. Emphasis is on maximizing return on every dollar spent on engineering. This has posed very stiff challenges and Sonata has dealt with these challenges by making the right shifts in strategy, offerings and specific focus on domains and technology. We emerged a much stronger company with deeper customer relationships, the vital springboard for growth.

Contents

Sonata Software Limited

Directors' Report	6
Management Discussion & Analysis	10
Corporate Governance	13
Secretarial Compliance Report	15
Auditors' Report	16
Balance Sheet	18
Profit & Loss Account	19
Schedules 1 - 15	20
Cash Flow Statement	31
Section 212 Statement	33
Consolidated Financial Statements	34
Sonata Information Technology Limited	53
Shareholders' Information	71

Meeting

challenges proactively

As change enveloped us from all sides, we sharpened our focus on offering solutions that meet the short time to benefit cycles of our customers. We worked on upgrading technology, retraining people and reorienting our processes and methodologies. Emphasis has been on solving problems that have maximum impact on customers' business.



Stronger relationships that stand the test of time

Driven by the zeal to adapt to the emerging times, we nurtured opportunities that promised long-term relationships. We have realigned our priorities and gone the extra mile to ensure greater customer satisfaction by making proactive investment in time, resources and people. Creating dedicated multi-functional teams for our customers, assigning client-champions and capitalize on our experience to help customers make critical outsourcing decisions.



A close-up photograph of a hand holding a string of small, round, light-colored beads. The background is a soft, out-of-focus yellowish-green.

The experience to explore new growth avenues

Today, Sonata has successfully conceptualised, developed and implemented Solutions for customers in P&C Insurance, Asset Management and Clinical Trials. Our efforts have helped create significant value for customers in various lines of business. The wealth of experience that Sonata has accumulated will play a crucial role as we take on newer challenges. This along with stronger customer relationships offers exciting opportunities for growth and exploring new vistas.

Read on to find out more.



SONATA SOFTWARE LIMITED

DIRECTORS' REPORT

TO THE MEMBERS OF SONATA SOFTWARE LIMITED

Your Directors are pleased to present the Eighth Annual Report together with the audited financial Statements for the year ended 31st March, 2003.

FINANCIAL HIGHLIGHTS

(Rs. in millions)

Particulars	Year ended 31.03.2003	Year ended 31.03.2002
1. Total Income	845.52	837.14
2. Total Expenditure	630.29	622.76
3. Profit before Interest, Depreciation & Tax	215.23	214.38
4. Interest	-	-
5. Depreciation	23.27	28.46
6. Profit Before Tax	191.96	185.92
7. Provision for Taxation	36.18	7.87
8. Profit After Taxation	155.78	178.05
9. Appropriations :		
Proposed Dividend	31.55	15.77
Interim Dividend	21.03	21.03
Transfer to Gen. Reserve	16.00	18.00

The Consolidated financial results of the Company and its subsidiaries for the year ended 31st March, 2003, are presented as part of this Annual Report.

DIVIDEND

Keeping in mind the overall performance of the Company and the positive outlook for your Company's future, your Directors are pleased to recommend payment of a final dividend of Re.0.30/- per equity share (@30% on par value of Re.1/- each), subject to the approval of shareholders, which along with the interim dividend of Re.0.20/- per equity share adds upto a total dividend of Re.0.50/- per equity share (Previous year - Re.0.35/- per equity share of Re.1/- each).

If approved, the final dividend will be paid to eligible shareholders as on 12th June, 2003 (in case of electronic shares) and as on 24th June, 2003 (in case of physical shares).

QUALITY

During the year under review, your Company received many positive feedbacks from customers on the quality and capability of processes and was able to achieve higher customer satisfaction levels.

During the year, your company focused on consolidating these gains and benchmarked its processes with industry standards. Your company has identified areas for further improvements based on the benchmark results and has initiated actions on such items. The company is continuing its commitment to provide quality products and services by upgrading the internal processes in line with emerging standards.

SEBI REGULATION & LISTING FEES

Since SEBI has stipulated electronic filing of Annual Report, Corporate Governance Report, Shareholding Pattern, etc. on website www.sebidifar.nic.in, statements of your Company can be accessed at this website.

The Annual listing fees for the year under review has been paid to The Stock Exchange, Mumbai, National Stock Exchange of India Ltd. and Bangalore Stock Exchange Ltd. where your Company's shares are listed.

SUBSIDIARY COMPANIES

The statement pursuant to Section 212 (1) (e) of the Companies Act, 1956 in respect of subsidiaries is attached. While the Consolidated Accounts of your Company and its subsidiaries are presented as part of this Report in accordance with Accounting Standard 21, the audited Accounts of overseas subsidiary companies viz., M/s Abisko Development Limited, Cyprus and Offshore Digital Services Inc., USA (ODSI) for the year ended 31st March, 2003 are not attached. However, they are available on the Company's website www.sonata-software.com.

CORPORATE GOVERNANCE

As required under Clause 49 of the Listing Agreement, a Report on Corporate Governance is provided elsewhere in this Annual Report alongwith Auditors' Certificate on the compliance thereof.

SECRETARIAL COMPLIANCE REPORT

As a reflection of your Company's commitment to transparency, the Board is pleased to enclose the Secretarial Compliance Report for the financial year 2002-03, as part of this Directors' Report.

DIRECTORS' RESPONSIBILITY STATEMENT

Your Directors, to the best of their knowledge and belief, state that the Company maintains proper accounting records which disclose with reasonable accuracy, the financial position of the Company.

Further, your Directors state that these accounting records have formed the basis in the preparation of financial statements of the Company in compliance with the provisions of the Companies Act, 1956, including any amendments thereto.

Your Directors also confirm that the financial statements of the Company are prepared in such manner to give a true and fair view of the state of affairs of the Company as at the end of 31st March, 2003 and of the profit of the Company for the year to that date.

SONATA SOFTWARE LIMITED

Your Directors state that in preparing the aforesaid financial statements of the Company, appropriate accounting policies have been consistently applied and supported by reasonable and prudent judgements and estimates, whilst applicable accounting standards have been followed and that these financial statements have been prepared on going-concern basis.

Further, your Directors to the best of their knowledge and belief, state that appropriate internal control systems are in place which are reasonably expected to safeguard the assets of the Company and to prevent and detect fraud and irregularities.

ENERGY, TECHNOLOGY, FOREIGN EXCHANGE

Particulars as prescribed under Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, is annexed to this Report.

PUBLIC DEPOSITS

Your Company has not accepted any deposits from the public during the year under review.

PERSONNEL

Information required to be furnished under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended is annexed to this Report.

RECOGNITION/COMMUNITY DEVELOPMENT

Your Company won the Asia Productivity eXperience Solutions challenge organized by Microsoft during the year under review. WorXpace portal, a productivity solution aimed at FMCG vertical and developed by your Company was selected as the winner amongst 22 solutions created by participants across India and Asia.

The community development and social initiatives of Sonatians are being carried out under the banner of a group called Madhyam – our means to make a difference. This special interest group of Sonatians has been actively taking up activities like blood donation camps, medical camps, sponsorship and support for various events by NGOs, training for NGO personnel, fund- raising for different non-profit organizations, etc.

The group acts as a medium between Sonatians, NGOs and the community for all social initiatives.

DIRECTORS

Mr.Suresh N Talwar was inducted as Additional Director from 30th October, 2002, holding office upto ensuing Annual General Meeting(AGM). Your approval is sought for appointing him as Director whose office shall be liable to retire by rotation.

Mr.M.D.Dalal's term of appointment as Executive Vice Chairman was upto 31st October, 2002 and the Board of Directors at their meeting held on 16th October, 2002 have re-appointed him subject to your approval at the ensuing AGM.

Mr. S.B.Ghia and Mr. Pradip P Shah, Directors, retire by rotation and being eligible, offer themselves for re-appointment at the ensuing AGM. Brief profile of these Directors is given in the notes of the Notice to the ensuing AGM.

AUDITORS

M/s N.M.Raiji & Co., Chartered Accountants, Mumbai, have expressed their willingness to continue as Statutory Auditors for FY 2003-04 and accordingly, a resolution proposing their appointment is being submitted to the Annual General Meeting.

ACKNOWLEDGEMENTS

Your Directors take this opportunity to express their gratitude for the co-operation and support from its customers, vendors, shareholders, investors, business partners, bankers, financial institutions, business associates and Advisors and look forward to their continued support.

Your Directors also wish to place on record their sincere appreciation of the valuable contribution, efforts and the spirit of dedication shown by all Sonatians in these trying times.

For and on behalf of the Board

S B GHIA

CHAIRMAN

Mumbai, 17th April, 2003

SONATA SOFTWARE LIMITED

ANNEXURE TO THE DIRECTORS' REPORT

Particulars pursuant to Companies (Disclosure of particulars in the report of Board of Directors) Rules, 1998.

1. CONSERVATION OF ENERGY

The operations of your Company do not consume high levels of energy. However, wherever possible, adequate measures have been taken to conserve energy by using energy-efficient equipments. During the year under review, your Company had also organised Power Audit of lighting, UPS, AC power and other equipments with the assistance of Power Consultants and as per their recommendation, company installed Occupancy Censor in class rooms, PC labs and conference hall etc. of the Company.

2. RESEARCH AND DEVELOPMENT (R & D)

During the year under review, your Company's CRG (Core Research Group) focussed on Web services, Enterprise report creation and delivery and Architectural frameworks with the objective of increasing technology competence and improving delivery capability.

a) Specific areas for R&D at Sonata :

● Web Services

Research initiative has been taken in developing architecture and infrastructure components for Web services application architecture and enterprise applications. This architecture is to address enterprise requirements like Security, Reliability and Interoperability.

● Enterprise reporting

Initiatives were taken for working on technologies and tools from certain companies in order to build alternate reporting delivery in place of reporting mechanisms available in-built in ERP applications like SAP.

● Frameworks and Architecture Servers

Initiatives were taken to evaluate new breed of tools called framework servers or Architecture servers and their suitability for using them to

improve delivery capability. Best practices and methodology were evolved out of this, apart from building competence.

b) Benefits derived as a result of the above R&D

The competence built in the areas of Web services based architecture and Enterprise reporting helped your Company to win new clients in overseas markets.

These also helped to enhance the BI and Application development practice offering to clients.

c) Future Plan of action

Focus of CRG in the coming year is to continue with internal IP building and competence enhancement. Other focus areas will be usage of Service Oriented Architecture in application development.

3. FOREIGN EXCHANGE EARNINGS AND OUTGO

During the year under review, 100% of the revenue came from exports and the Company exported developed software to USA, U.K., Belgium, Australia, Switzerland, Germany, Hongkong, Singapore & Netherlands.

(Rs. in millions)

Total Foreign Exchange Earnings and Outgo	
Foreign Exchange earnings	834.30
Foreign Exchange outgo	325.67

4. A detailed Management Discussion and Analysis Report is attached

For and on behalf of the Board

S B GHIA
CHAIRMAN

Mumbai, 17th April, 2003

Information as per Section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975, as amended up to date and forming part of the Director's Report for the year ended 31st March 2003

Name	Age (Years)	Qualification	Designation & Nature of Duties	Remuneration (Rs.)	Experience (Years)	Date of Joining	Previous Employment
B Ramaswamy	49	M.Sc. (Agri) PGDBM(IIM)	Managing Director & President	4,277,810	26	1-Oct-86	General Sales Manager Voltas Ltd.
P Srikar Reddy	45	B.E.(Electrical) PGDBM (IIM)	Sr. Vice President & Director	3,163,623	21	2-Apr-86	Manager Systems & Projects Betamatics Pvt.Ltd.

1. Remuneration includes basic salary, allowances, incentives, commission, Company's contribution to PF, Superannuation Fund and taxable value of perquisites.



SONATA SOFTWARE LIMITED

MANAGEMENT DISCUSSION AND ANALYSIS REPORT (MDA)

a. Industry structure and developments

The anticipated recovery in US economy towards the later half of the year did not materialize. Pressure on IT budgets have resulted in significant changes in the structure of IT spending. This has necessitated reorienting of offerings. The last quarter witnessed a period of uncertainty due to Iraq war, which further affected the business environment.

b. Opportunities and threats

Outsourcing and more specifically offshoring has gained momentum both from existing and new customer segments. Competition has intensified as companies who were predominantly in the onsite consulting mode have begun to address this opportunity in a serious way. Deep customer relationships, track record, strong technology skills, domain knowledge and unique differentials are the key to enhancing business from existing customers as well as acquiring new customers.

c. Segment wise performance

Please see the discussion on segment wise performance elsewhere in this Report.

d. Outlook

Your company has acquired 20 new customers last year including 5 in the last quarter. Your company would focus on extending these relationships and developing them as reference customers, a concept that is of inestimable value in converting potential prospects. Your company also plans to develop Virtual Joint Venture relationships with international companies, leveraging on their access to customers and your company's offshore delivery capability.

e. Risks and concerns

Post Iraq war, though the uncertainty has reduced to a great extent, concerns about the US economy remain. In the absence of any positive trigger for increased IT spending, the strategy would have to contend with severe competition and focus on demonstrating tangible value through offshoring.

f. Internal control systems and their adequacy

Your company continues to place considerable emphasis and effort on the internal control systems. On the technical side, having secured the CMM Level 5 last year, your company is working towards the new ISO 9001-2000 Standard.

Internal audit and quarterly statutory audit processes continue to maintain a sharp eye on the quality of the internal checks and balances in the finance and accounting aspects.

g. Material developments in Human Resources

Your company has started a major initiative in the Human Resources area in working towards the P-CMM certification. It is expected that in the next 18-24 months, the certification process would be complete.

h. Financial highlights

1. Revenues

The European business continues to show healthy growth. The percentage of off-shore revenues has gone up by 10% at 65% for the year ended 31st March, 2003 as compared to 55% for the same period last year. The company's strategy of building strong offshore delivery capability with its multi-pronged emphasis on technology, people, processes and track record, has resulted not only in increased business from existing customers but also in new customer acquisition.



2. Operating Expenses

Operating expenditure for the year ended 31st March, 2003 has reduced by 3.93% over the same period last year. The drop in expenditure is primarily on account of reduction in subsistence/living cost and travelling cost incurred towards deployment of professionals for onsite operations in US and various cost saving measures implemented by the Company.

3. EBIDT

The EBIDT was at 25.45% for the year ended 31st March, 2003 as compared to 25.61% for the same period last year.

4. Profit After Tax

Profit After Tax was at 18.42% for the year ended 31st March, 2003 as compared to 21.27% for the same period last year.

5. Interest and Borrowings

The Company continues to be debt free and hence incurs no interest cost.

6. Capital Employed

The Return on Average Capital Employed (ROCE) for the year ended 31st March, 2003 was 10.98% as compared to 15.61% for the same period last year.

7. Net Worth

The Return on Average Net Worth (RONW) for the year ended 31st March, 2003 was 10.98% as compared to 15.61% for the same period last year.

8. Fixed Assets

The Company added to its fixed assets Rs.17.40 million.

9. Receivables

Debtors as number of days' sales stood at 104 days for the year ended 31st March, 2003 as compared to 87 days for the same period last year.

10. Manpower

The total employee strength as on 31st March, 2003 was 645 as against 735 as on 31st March, 2002.

PERFORMANCE SUMMARY**1.0 Revenue****1.1 Sequential**

- a. Revenue was Rs.213.46 million for the Quarter ended 31st March 2003 as compared to Rs.223.50 million during the Quarter ended 31st December, 2002.
- b. Offshore revenue as a percentage of total revenue was 67% for the Quarter ended 31st March, 2003 as compared to 63% during the Quarter ended 31st December, 2002.

1.2 Quarter on Quarter Comparison

- a. Revenue was Rs.213.46 million as compared to Rs.169.15 million for the same period last year.
- b. Offshore revenue as a percentage of total revenue was 67% as compared to 60% for the same period last year.

1.3 Year comparison

- a. Revenue was Rs.845.52 million for the year ended 31st March, 2003 as compared to Rs.837.14 million for the same period last year.
- b. Offshore revenue as a percentage of total revenue was 65% for the year ended 31st March, 2003 as compared to 55% for the same period last year.

2.0 EBIDT**2.1 Sequential**

EBIDT for the quarter ended 31st March, 2003 was 23.65% as compared to 27.51% during the Quarter ended 31st December, 2002.

2.2 Quarter on Quarter Comparison

EBIDT for the quarter ended 31st March, 2003 was 23.65% as compared to 17.26% for the same period last year.

2.3 Year Comparison

EBIDT for the year ended 31st March, 2003 was 25.45% as compared to 25.61% for the same period last year.

3.0 Profit After Tax (PAT)**3.1 Sequential**

- a. PAT stood at Rs.41.22 million for the Quarter ended 31st March, 2003 as compared to Rs.43.79 million during the Quarter ended 31st December, 2002.
- b. Profit Margin was at 19.31% for the Quarter ended 31st March, 2003 as compared to 19.59% for the Quarter ended 31st December, 2002.

3.2 Quarter on Quarter Comparison

- a. PAT stood at Rs.41.22 million for the Quarter ended 31st March, 2003 as compared to Rs.20.95 million for the same period last year.
- b. Profit Margin was at 19.31% for the Quarter ended 31st March, 2003 as compared to 12.39% for the same period last year.

3.3 Year Comparison

- a. PAT stood at Rs.155.78 million for the year ended 31st March, 2003 as compared to Rs.178.05 million for the same period last year.
- b. Profit Margin was at 18.42% for the year ended 31st March, 2003 as compared to 21.27% for the same period last year.

SONATA SOFTWARE LIMITED

AUDITOR'S CERTIFICATE

(Under Clause 49 of the Listing Agreement)

TO THE MEMBERS OF SONATA SOFTWARE LIMITED

We have examined the compliance of conditions of Corporate Governance by Sonata Software Limited (the Company) for the year ended on 31st March, 2003, as stipulated in clause 49 of the Listing Agreements of the Company with the stock exchanges.

The compliance of conditions of corporate governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of corporate governance. It is neither an audit nor an expression of opinion on the financial statement of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement, subject to the following:

1. The Company has only two (2) independent director as against the requirement of three (3).

2. The Audit Committee has only one (1) independent director as against the requirement of two (2) independent directors.
3. Chairman of the Audit Committee is not an independent director.

We state that no investor grievances are pending for a period exceeding one month against the Company as per the records maintained by the Investors Grievance Committee.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For N M Raiji & Co.
Chartered Accountants

Y N Thakkar
Partner

Mumbai, 17th April, 2003

SONATA SOFTWARE LIMITED

CORPORATE GOVERNANCE

I. A BRIEF STATEMENT ON COMPANY'S PHILOSOPHY ON CODE OF CORPORATE GOVERNANCE

Sonata Software Limited is committed to Good Corporate Governance. The fundamental objective of Sonata's Corporate Governance is "enhancement of the long-term shareholder value while at the same time protecting the interests of other stakeholders." Sonata's Code of Corporate Governance has been drafted in compliance with the code of "Corporate Governance" as promulgated by the Securities and Exchange Board of India (SEBI) on 25th January, 2000.

II. BOARD OF DIRECTORS

The Board of Directors of Sonata is comprised of 7 Directors of which three are promoter directors, two are executive directors and two independent directors.

During the financial Year 2002-03, 4 meetings of the Board were held. These meetings were held on 12th April, 2002, 18th July, 2002, 16th October, 2002 and 17th January, 2003.

Details of Directors' attendance and other particulars are given below :

Director	No. of Board Meetings held	No. of Board Meetings attended	Last AGM Attendance (Yes/No)	No. of Memberships in Boards of other Public Companies
S.B.Ghia	4	4	Yes	9
M.D.Dalal	4	4	Yes	2
Rajan B Raheja	4	3	No	11
Pradip P Shah	4	4	Yes	8
B Ramaswamy	4	4	Yes	1
P Srikar Reddy	4	4	Yes	2
S N Talwar*	1	1	NA	14

*Appointed as an additional director with effect from 30th October, 2002

III. AUDIT COMMITTEE

● Terms of Reference

The Audit Committee has interalia the following mandate :

1. Oversee Company's financial reporting process and disclosure of its financial information to ensure the financial statements are correct, sufficient and credible.

2. Recommend appointment and removal of Statutory auditors, fixation of audit fee and also approve payment for other services.
3. Review the adequacy of internal control systems with the Management, Statutory and internal auditors.
4. Review the Company's financial and risk management policies.

● Composition

- S B Ghia - Chairman
- Pradip P Shah - Non-Executive Director
- Rajan B Raheja - Non-Executive Director

● Secretary

- N.Ebenezer Devasahayam - Associate VP (Fin) & Company Secretary

● By Invitation

- Thomas K Joseph - Sr. Vice President & CFO
- Y.N.Thakkar - Partner, N.M.Raiji & Co., (Statutory Auditors)
- V.Raghavendran - Partner, V.Raghavendran & Co., (Internal Auditors)

Meetings and attendance during the year

Members	Meetings held	Meetings attended
S B Ghia	4	4
Pradip P Shah	4	4
Rajan B Raheja	4	3

IV. REMUNERATION COMMITTEE

● Terms of Reference

The Remuneration Committee reviews the policy on remuneration packages for Executive Directors, their Service Contracts, Stock Option details etc. However, remuneration to non-executive Directors will be decided by the Board of Directors.

● Composition

- S B Ghia - Chairman
- Pradip P Shah - Non-Executive Director
- Rajan B Raheja - Non-Executive Director

● Secretary

- N. Ebenezer Devasahayam - Associate VP (Fin) & Company Secretary

● **Meetings and attendance during the year**

Members	Meetings held	Meetings attended
S B Ghia	3	3
Pradip P Shah	3	3
Rajan B Raheja	3	3

● **Remuneration Policy**

The Committee recommends the remuneration payable to Executive Directors based on their contribution to the growth and development of the Company.

● **Details of remuneration paid/payable to all the Directors for FY 2002-03**

(Amount in Rs.)

Name	Salary & Perquisites	Commission	Shares issued under ESOP	Details of service contracts; notice period & severance fees
S.B.Ghia	Nil	6,03,294	Nil	Nil
M.D.Dalal	Nil	6,67,178	Nil	Agreement dated 16.10.2002 valid upto 31.10.2007 ; Three(3) months notice period and no severance fees
Rajan B Raheja	Nil	6,03,294	Nil	Nil
Pradip P Shah	Nil	6,03,294	Nil	Nil
B Ramaswamy	23,15,802	20,21,752	Nil	Agreement dated 12.04.2000 valid upto 31.03.2005 ; Six(6) months notice period and no severance fees
P Srikar Reddy	21,82,619	10,10,876	Nil	Agreement dated 20.10.1999 valid upto 19.10.2004 ; Six(6) months notice period and no severance fees
Suresh N Talwar	Nil	2,11,870	Nil	Nil

Note : As the Constitution of Remuneration Committee is a non-mandatory requirement and the businesses transacted at the Remuneration committee meetings are not substantial in nature (which otherwise could be dealt with by the Board Meetings itself), your Directors have dissolved the Remuneration Committee.

V. INVESTORS' GRIEVANCE COMMITTEE

● **Terms of Reference**

The Investors' Grievance Committee facilitates prompt and effective redressal of shareholders' complaints and the reporting of the same to the Board periodically.

● **Composition**

- S B Ghia - Chairman
- M D Dalal - Executive Vice Chairman
- B Ramaswamy - President & Managing Director

● **Secretary**

- N.Ebenezer Devasahayam - Associate VP (Fin) & Co. Secy

● **Meetings and attendance during the year**

Members	Meetings held	Meetings attended
S B Ghia	4	4
M D Dalal	4	4
B Ramaswamy	4	4

● **Name & Designation of Compliance Officer**

N.Ebenezer Devasahayam, Associate Vice President – Finance & Company Secretary.

- Details as to number of shareholders complaints received, number not solved to the satisfaction of the shareholders and number of pending transfers are provided in the section styled as "Shareholders Information" found elsewhere in this Annual Report.

VI. SHAREHOLDERS' MEETINGS

● **Details of last three AGMs held :**

Year	Date	Venue	Time
1999-00	22.05.2000	Patkar Hall, Sir Vithaldas Thackersey Marg Mumbai – 400 020	4.00 p.m.
2000-01	08.06.2001	Patkar Hall, Sir Vithaldas Thackersey Marg Mumbai – 400 020	2.00 p.m.
2001-02	10.06.2002	Centrum, 1st Floor, Centre 1, World Trade Centre, Cuffe Parade Mumbai – 400 005	3.00 p.m.

SONATA SOFTWARE LIMITED

- Whether special resolutions were put through postal ballot last year, details of voting pattern, person who conducted the postal ballot exercise, proposed to be conducted through postal ballot and procedures for postal ballot.

No

VII DISCLOSURES

- Disclosure on materially significant related party transactions i.e., transactions of the Company of material nature, with its founders, the directors or the management, their subsidiaries or relatives etc. that may have potential conflict with the interests of company at large.

Details are provided in Note 15 under Schedule 15 to the Notes forming part of the Accounts in accordance with provisions of Accounting Standard 18.

- Details of non-compliance by the Company, penalties, strictures imposed on the company by Stock Exchange or SEBI or any statutory authority, on any matter related to capital markets, during the last three years.

None

VIII. MEANS OF COMMUNICATION

- Half-yearly financial performance including summary of the significant events published on the Company's website
 - Quarterly results – which newspapers normally published in; any website, where displayed; whether it also displays official news releases; and the presentations made to institutional investors or to the analysts
 - * The quarterly results are generally published in Business Standard (all India edition) and in Navshakti (Mumbai edition).
 - * The quarterly financial statements and all other information disseminated to analysts/institutional investors are posted on Sonata's website (<http://www.sonata-software.com>).
 - Whether the Management Discussion and Analysis section is a part of the Annual Report or not
- Yes

IX. GENERAL SHAREHOLDER INFORMATION

It is provided in the section styled as "Shareholders Information" published elsewhere in this Annual Report.

- X. As per Clause 49 of the Listing Agreement with Stock Exchanges, Company is required to obtain a Certificate from the Auditors of the Company regarding compliance of conditions of Corporate Governance. The Auditors' Certificate in respect of Compliance thereof is enclosed in this Annual Report.

SECRETARIAL COMPLIANCE REPORT FOR THE YEAR ENDED MARCH 31, 2003

April 7, 2003
The Board of Directors,
Sonata Software Limited,
Bangalore

I have examined the registers, records and papers of **SONATA SOFTWARE LTD** as required to be maintained under the Companies Act, 1956 (hereinafter referred to as "the Act"), the rules made thereunder and also the provisions contained in the Memorandum and Articles of Association of the Company for the year ended March 31, 2003.

Based on my examination as well as information and explanations furnished by the Company to me and the records made available to me, I report that :

- 1) The company is a Listed company.
- 2) All the requisite registers and other records required under the Act and the Rules made thereunder have been maintained in accordance with the requirements.
- 3) All the requisite forms, returns and documents required under the Act and the Rules made thereunder have been filed with the Registrar and other authorities as per the requirements.
- 4) All the requirements of the Act, relating to the meetings of the directors, Committee of the Board and the shareholders as well as relating to the minutes of the proceedings thereat have been complied with.
- 5) The Board of Directors of the Company is duly constituted. The appointment of Mr. Suresh N. Talwar as an additional director of the company with effect from 30th October, 2002 has been duly made and necessary forms have been filed with the Registrar of Companies in this regard.
- 6) The directors have disclosed their interest in other firms/companies to the Board of Directors pursuant to the provisions of Section 299 of the Companies Act, 1956, and the Rules made thereunder, wherever applicable.
- 7) There was no issue of shares or any other securities during the year under report.
- 8) Share Certificates or other securities have been delivered to the transferee within the time prescribed under the Companies Act, 1956. Applications for transfer and transmission of shares have been registered within the prescribed time and necessary entries have been made in the register prescribed for this purpose.
- 9) The provisions of the Companies Act, 1956, relating to declaration and payment of final dividend, declared at the Annual General Meeting held on 10/06/2002, have been complied with.
- 10) The Company has not made any borrowing during the year under report.
- 11) There were no instances of creation, modification or satisfaction of charges concerning the Company's properties, which required filing of the necessary particulars with the Registrar of Companies.
- 12) The Company has not made any loans or advances or given guarantees or provided securities to other bodies corporate within the purview of Section 372A of the Companies Act, 1956 during the year under report and consequently no entries were required to be made in the register prescribed for this purpose.
- 13) Necessary approvals of directors, shareholders, Central Government and other authorities, wherever applicable and required under the Companies Act, 1956, have been obtained.
- 14) The Company has not altered the provisions of the Memorandum of Association or the Articles of Association during the year under report.

V Sreedharan
Practising Company Secretary
G.N.R. Complex, 1st Floor
No.32/33, 8th Cross, Wilson Garden
Bangalore – 560 027

SONATA SOFTWARE LIMITED

AUDITOR'S REPORT

TO THE MEMBERS OF SONATA SOFTWARE LIMITED

1. We have audited the attached Balance Sheet of SONATA SOFTWARE LIMITED as at 31st March, 2003 and also the Profit & Loss Account for the year ended on that date annexed thereto and the cash flow statement for the year ended on that date. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with 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 mis-statements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosure 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. As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement of the matters specified in paragraphs 4 and 5 of the said Order, to the extent applicable.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
 - a) We have obtained the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - b) In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of such books;
 - c) The Balance Sheet and Profit and Loss Account referred to in this report are in agreement with the Books of Account;
 - d) In our opinion, the Balance Sheet and Profit and Loss Account dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 to the extent applicable.
5. On the basis of written representations received from the directors as on 31st March, 2003 and taken on record by the Board of Directors, we report that none of the directors are disqualified as on 31st March, 2003 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
6. In our opinion and to the best of our information and according to the explanations given to us, the said Balance Sheet and Profit and Loss Account read together with the notes thereon give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (a) in the case of Balance Sheet, of the state of affairs of the Company as at 31st March, 2003; and
 - (b) in the case of Profit and Loss Account, of the Profit for the year ended on that date.
 - (c) in the case of cash flow statement, of the cash flows for the year ended on that date.

For N M Raiji & Co.
Chartered Accountants

Y N Thakkar
Partner

Mumbai, 17th April, 2003

SONATA SOFTWARE LIMITED

ANNEXURE TO AUDITOR'S REPORT

Referred to in paragraph 3 of our Report of even date.

1. The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets. Physical verification of major assets was conducted by the Management during the year which in our opinion is reasonable having regard to the size of the Company and nature of its assets. No material discrepancies were noticed on such verification, as compared with the book records.
2. None of the fixed assets have been revalued during the year.
3. The stock of finished goods has been physically verified at reasonable intervals during the year by the Management. In our opinion, the frequency of the verification is reasonable.
4. The procedures of physical verification of stocks followed by the Management are, in our opinion, reasonable and adequate in relation to the size of the Company and the nature of its business.
5. There are no discrepancies noticed on physical verification of stocks compared with that of the book records.
6. In our opinion, the valuation of stocks is fair and proper and in accordance with the normally accepted accounting principles, and is on the same basis as in the preceding year.
7. The company has not taken any loans, secured or unsecured, from companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956. In view of deletion of section 370 (1-B) of the Companies Act, 1956 it is not possible for us to comment on loans from companies under the same management.
8. The Company has not granted any loans, secured or unsecured to companies, firms or other parties listed in the Register maintained under section 301 of the Companies Act, 1956. In view of deletion of section 370 (1-B) of the Companies Act, 1956 it is not possible for us to comment on loans to companies under the same management.
9. In respect of loans or advances in the nature of loan, given by the Company, the parties are generally repaying the principal amount as stipulated and are also regular in the payment of interest, where applicable.
10. In our opinion, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchase of plant and machinery, equipments, other assets and for the sale of goods.
11. In our opinion, and according to the information and explanations given to us, the Company has not entered into any transactions for the purchase of goods and materials and sale of goods and materials and services with companies, firms and other parties listed in the register maintained under section 301 of the Companies Act, 1956 and aggregating during the year to Rs. 50,000/- or more in respect of each party.
12. The Company has an adequate internal audit system, which was conducted by an independent firm of Chartered Accountants, which in our opinion is commensurate with the size and nature of its business.
13. The Company has been generally regular in depositing Provident Fund and Employees' State Insurance dues with the appropriate authorities.
14. There are no undisputed amounts payable in respect of Income Tax, Wealth Tax, Customs Duty and Excise Duty which have remained outstanding as on 31st March, 2003 for a period exceeding six months from the date they became payable.
15. During the course of our examination of the books of accounts carried out in accordance with generally accepted auditing practices, we have not come across any personal expense other than those payable under contractual obligations or in accordance with generally accepted business practices which have been charged to the Profit and Loss Account nor have we been informed of such case by the Management.
16. The Company has a reasonable system of allocation of man-hours utilized to the relative jobs, commensurate with its size and nature of its business. In our opinion, there is a reasonable system of authorization at proper levels with necessary controls on allocation of manpower to jobs/projects and the related system of internal control of the Company is commensurate with the size of the Company and the nature of its business.

For N M Raiji & Co.
Chartered Accountants

Y N Thakkar
Partner

Mumbai, 17th April, 2003

SONATA SOFTWARE LIMITED

BALANCE SHEET AS AT 31ST MARCH, 2003

(Rs.)

	SCHEDULE	AS AT 31.03.2003	AS AT 31.03.2002
SOURCES OF FUNDS			
SHAREHOLDER'S FUNDS			
Share Capital	1	105,159,306	105,159,306
Reserves and Surplus	2	1,363,473,758	1,264,316,602
		1,468,633,064	1,369,475,908
DEFERRED TAX LIABILITY		4,902,039	-
TOTAL FUNDS EMPLOYED		1,473,535,103	1,369,475,908
APPLICATION OF FUNDS			
FIXED ASSETS			
	3		
Gross Block		262,311,255	248,886,505
Less : Depreciation		159,698,091	139,131,732
Net Block		102,613,164	109,754,773
Capital work-in-progress		61,724	81,090
		102,674,888	109,835,863
INVESTMENTS	4	621,218,820	582,200,019
DEFERRED TAX ASSET		26,748,376	43,376,916
CURRENT ASSETS, LOANS & ADVANCES			
Inventories	5	33,394,546	33,690,564
Sundry Debtors	6	237,244,601	193,593,225
Cash & Bank Balances	7	151,594,458	95,560,625
Other Current Assets	8	197,256,338	174,199,705
Loans and Advances	9	172,926,737	184,965,662
		792,416,681	682,009,781
Less : CURRENT LIABILITIES & PROVISIONS			
Current Liabilities	10	33,933,808	32,172,775
Provisions	11	35,589,853	15,773,896
		69,523,661	47,946,671
NET CURRENT ASSETS		722,893,019	634,063,110
TOTAL FUNDS APPLIED		1,473,535,103	1,369,475,908
NOTES FORMING PART OF ACCOUNTS	15		

As per our Report annexed

For and on behalf of the Board

For N M RAIJI & Co.
Chartered Accountants

Y N THAKKAR
Partner

S B GHIA
Chairman

M D DALAL
Executive Vice Chairman

B RAMASWAMY
Managing Director & President

RAJAN B RAHEJA
Director

PRADIP P SHAH
Director

S N TALWAR
Director

P SRIKAR REDDY
Sr. Vice President &
Director

THOMAS K JOSEPH
Sr. Vice President &
Chief Financial Officer

N EBENEZER DEVASAHAYAM
Associate Vice President - Finance
& Company Secretary

Mumbai, 17th April, 2003

SONATA SOFTWARE LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2003

(Rs.)

	SCHEDULE	YEAR ENDED 31.03.2003	YEAR ENDED 31.03.2002
INCOME			
Services (Net)		834,297,802	813,723,581
Other Income	12	11,219,164	23,414,558
Total Income		845,516,966	837,138,139
EXPENDITURE			
Operating and Other Expenses	13	620,285,298	645,649,419
Depreciation		23,269,505	28,457,992
Bad Debts		8,605,690	551,990
Provision for Doubtful Debts		1,105,201	1,107,161
		653,265,694	675,766,562
Add/(Less) : (Increase)/ Decrease in Stocks	14	296,018	(24,546,564)
Total Expenditure		653,561,712	651,219,998
Profit Before Tax		191,955,254	185,918,141
Provision for Tax		36,176,384	7,866,382
Profit After Tax		155,778,870	178,051,759
Add : Balance of Profit brought forward from previous year		505,692,191	384,591,439
Disposable Surplus		661,471,061	562,643,198
Proposed Dividend		31,547,792	15,773,896
Interim Dividend		21,031,861	21,031,861
Provision for Dividend Tax		4,042,061	2,145,250
Transfer to General Reserve		16,000,000	18,000,000
Balance carried to Balance Sheet		588,849,347	505,692,191
		661,471,061	562,643,198
NOTES FORMING PART OF ACCOUNTS	15		
EPS - Basic (on Re.1 per share)		1.48	1.70
EPS - Diluted (on Re.1 per share)		1.48	1.70
EPS - Basic (Annualised) (on Re.1 per share)		1.48	1.70
EPS - Diluted (Annualised) (on Re.1 per share)		1.48	1.70

As per our Report annexed

For and on behalf of the Board

For N M RAIJI & Co.
Chartered Accountants

Y N THAKKAR
Partner

S B GHIA
Chairman

M D DALAL
Executive Vice Chairman

B RAMASWAMY
Managing Director & President

RAJAN B RAHEJA
Director

PRADIP P SHAH
Director

S N TALWAR
Director

P SRIKAR REDDY
Sr. Vice President &
Director

THOMAS K JOSEPH
Sr. Vice President &
Chief Financial Officer

N EBENEZER DEVASAHAYAM
Associate Vice President - Finance
& Company Secretary

Mumbai, 17th April, 2003

SONATA SOFTWARE LIMITED

Schedules attached to and forming part of the accounts for the year ended 31st March, 2003

(Rs.)

	AS AT 31.03.2003	AS AT 31.03.2002
SCHEDULE 1 : SHARE CAPITAL		
Authorised :		
150,000,000 Equity Shares of Re. 1/- each (Previous year 150,000,000 Equity Shares of Re. 1/- each)	<u>150,000,000</u>	<u>150,000,000</u>
Issued , Subscribed and Called up :		
105,159,306 Equity Shares of Re.1/- each (Previous year 105,159,306 Equity Shares of Re.1/ each)	<u>105,159,306</u>	<u>105,159,306</u>
Paid-Up :		
105,159,306 Equity shares of Re.1 each fully called-up (Previous year 105,159,306 Equity Shares of Re.1/ each fully called up)	<u>105,159,306</u>	<u>105,159,306</u>
<i>Of the above :</i>		
<i>(1) 17,500,000 shares have been allotted as fully paid pursuant to a contract without payment being received in cash</i>		
<i>(2) 42,270,800 equity shares of Re. 1/- each, fully paid up, have been allotted as bonus shares by capitalization of balance in Profit & Loss Account</i>		
SCHEDULE 2 : RESERVES AND SURPLUS		
Securities Premium Account	450,924,411	450,924,411
General Reserve		
Balance brought forward	307,700,000	289,700,000
Transferred from Profit and Loss account	<u>16,000,000</u>	<u>18,000,000</u>
	323,700,000	307,700,000
Profit and Loss Account	588,849,347	505,692,191
	<u>1,363,473,758</u>	<u>1,264,316,602</u>

SCHEDULE 3: FIXED ASSETS

Assets	Gross Block				Depreciation				Net Block As at 31.03.03
	Cost as at 01.04.02	Additions	Deductions/ Adjustments	Cost as at 31.03.03	As at 01.04.02	For The Year	Deductions/ Adjustments	As at 31.03.03	
Buildings	15,487,000 (15,487,000)	6,000 (-)	- (-)	15,493,000 (15,487,000)	441,248 (188,810)	252,472 (252,438)	- (-)	693,720 (441,248)	14,799,280 (15,045,752)
Plant & Machinery	143,185,331 (151,392,139)	7,811,613 (994,115)	- (9,200,923)	150,996,944 (143,185,331)	96,540,868 (87,598,640)	13,726,697 (17,966,382)	- (9,024,154)	110,267,565 (96,540,868)	40,729,379 (46,644,463)
Furniture & Fixtures	61,761,010 (58,050,609)	1,736,211 (4,297,331)	(50,954) (586,930)	63,548,175 (61,761,010)	30,905,032 (24,617,436)	5,950,644 (6,760,451)	(24,045) (472,855)	36,879,721 (30,905,032)	26,668,454 (30,855,978)
Motor Car & Vehicles	9,300,421 (8,914,729)	5,794,717 (1,513,930)	3,702,133 (1,128,238)	11,393,005 (9,300,421)	4,801,851 (4,175,234)	1,336,447 (1,377,533)	2,539,466 (750,916)	3,598,832 (4,801,851)	7,794,173 (4,498,570)
Air Conditioners & Other Equipments	19,152,743 (17,909,011)	2,055,792 (1,840,843)	328,404 (597,111)	20,880,131 (19,152,743)	6,442,733 (4,701,609)	2,003,245 (2,101,188)	187,725 (360,064)	8,258,253 (6,442,733)	12,621,878 (12,710,010)
TOTAL	248,886,505 (251,753,488)	17,404,333 (8,646,219)	3,979,583 (11,513,202)	262,311,255 (248,886,505)	139,131,732 (121,281,729)	23,269,505 (28,457,992)	2,703,146 (10,607,989)	159,698,091 (139,131,732)	102,613,164 (109,754,773)
Capital work in progress									61,724 (81,090)
GRAND TOTAL									102,674,888 (109,835,863)

Notes:

1. Figures in brackets pertain to previous year ended 31st March, 2002
2. Buildings include cost of shares Rs.7,000 (Previous year Rs.1,000)

SONATA SOFTWARE LIMITED

Schedules (Contd.)

(Rs.)

	AS AT 31.03.2003	AS AT 31.03.2002
SCHEDULE 4 : INVESTMENTS		
LONG TERM (AT COST) TRADE, UNQUOTED IN SUBSIDIARY COMPANIES		
6,000,700 Equity shares of Rs.10/- each in Sonata Information Technology Limited (fully paid) <i>[Previous year 6,000,700 Equity Shares of Rs. 10/- each -fully paid]</i>	60,007,000	60,007,000
285,000 Equity Shares in Offshore Digital Services Inc, California (fully paid) <i>[Previous year 285,000 Equity Shares - fully paid]</i>	10,956,069	10,956,069
6,500,000 shares of Series A Redeemable Preference Shares of Offshore Digital Services Inc. California (fully paid) <i>[Previous year 6,500,000 Preference Shares - fully paid]</i>	310,770,000	310,770,000
500,625 Equity shares of 1 USD each in ABISKO Development Ltd, Cyprus, 1.00 USD (fully paid) <i>[Previous year 500,625 Equity Shares of 1 USD each fully paid]</i>	21,961,145	21,961,145
IN OTHER COMPANIES		
8,333,333 shares of Series B Convertible Preferred Stocks of 0.01 USD in SpinAway eBusiness Solutions, Inc., USA (fully paid) <i>[Previous year 8,333,333 shares of Series B Convertible Preferred Stocks - fully paid]</i>	93,388,750	93,388,750
	497,082,964	497,082,964
SHORT TERM , (AT COST, UNLESS OTHERWISE SPECIFIED) MUTUAL FUNDS (QUOTED)		
PRUDENTIAL ICICI MUTUAL FUND - INCOME PLAN <i>[Previous year 93,692.922 units at Rs.10.179 per unit]</i>	-	953,732
PRUDENTIAL ICICI LIQUID PLAN 1,584,013.551 units at Rs.13.9316 per unit <i>[Market Value Rs.14.87 per unit aggregating to Rs.23,554,282] [Previous year 1,514,393.28 units at Rs.13.9299 per unit]</i>	22,067,880	21,095,347
ZURICH MUTUAL FUND - GROWTH PLAN 4,335,993.65 units at Rs.11.7673 per unit <i>[Market Value Rs.12.53 per unit aggregating to Rs.54,330,000] [Previous year 3,971,325.90 units at Rs.11.715 per unit]</i>	51,022,892	46,522,892
HDFC LIQUID FUND 359,011.013 units at Rs.11.2673 per unit <i>[Market Value Rs.12.03 per unit aggregating to Rs.4,318,902] [Previous year 359,011.01 units at Rs.11.267 per unit]</i>	4,045,084	4,045,084
PIONEER ITI MUTUAL FUND - GROWTH PLAN <i>[Previous year 8,891.29 units at Rs.1405.87 per unit]</i>	-	12,500,000
J M HIGH LIQUIDITY FUND 1,500,894.41 units at Rs.16.32 per unit <i>[Market Value Rs.16.76 per unit aggregating to Rs.25,154,990] [Previous year Nil]</i>	24,500,000	-
DSP MERRILL LYNCH MUTUAL FUND 625,290.93 units at Rs.14.39 per unit <i>[Market Value Rs.14.72 per unit aggregating to Rs.9,204,282] [Previous year Nil]</i>	9,000,000	-
RELIANCE LIQUID FUND 243,994.26 units at Rs.14.34 per unit <i>[Market Value Rs.14.67 per unit aggregating to Rs.3,579,396] [Previous year Nil]</i>	3,500,000	-
KOTAK MAHINDRA LIQUID FUND 827,177.75 units at Rs.12.09 per unit <i>[Market Value Rs.12.09 per unit aggregating to Rs.10,000,000] [Previous year Nil]</i>	10,000,000	-
	124,135,856	85,117,055
	621,218,820	582,200,019

SONATA SOFTWARE LIMITED

Schedules (Contd.)

	AS AT 31.03.2003	AS AT 31.03.2002
(Rs.)		
SCHEDULE 5 : INVENTORIES		
In process	22,252,143	24,024,372
Finished Products	11,142,403	9,666,192
	33,394,546	33,690,564
SCHEDULE 6 : SUNDRY DEBTORS		
Unsecured		
Debts outstanding for a period exceeding six months		
Considered Good	38,564,370	34,347,335
Considered Doubtful	846,774	4,001,742
	<u>39,411,144</u>	<u>38,349,077</u>
Other debts : Considered Good	198,680,231	159,245,890
	<u>238,091,375</u>	<u>197,594,967</u>
Less : Provision for Doubtful Debts	846,774	4,001,742
	237,244,601	193,593,225
SCHEDULE 7 : CASH AND BANK BALANCES		
Cash and Cheques on hand	188,007	26,914
Balances with Scheduled Banks		
In Current Accounts	46,384,972	31,136,855
In Deposit Accounts	86,251,647	46,390,150
In Unclaimed Dividend Account	1,760,073	1,209,114
Balances with other banks in current account		
Bank of America, New York, USA <i>(Maximum balance held during the year Rs.11,136,750 previous year Rs.13,920,050)</i>	4,904,125	11,136,750
PNC Bank N A, New Jersey, USA <i>(Maximum balance held during the year Rs.6,276,308 previous year Rs.6,081,764)</i>	6,724	329,420
Barclays Bank, London, UK <i>(Maximum balance held during the year Rs.13,752,297 previous year Rs.33,318,592)</i>	-	4,843,522
Hong Kong and Shanghai Banking Corporation, London, UK <i>(Maximum balance held during the year Rs.29,681,121 previous year Rs. Nil)</i>	11,101,645	-
Hong Kong and Shanghai Banking Corporation, London, UK-Imprest A/c <i>(Maximum balance held during the year Rs.23,234,872 previous year Rs. Nil)</i>	504,637	-
Balances with other banks in Deposit Account		
PNC Bank N A, New Jersey, USA	492,628	487,900
	151,594,458	95,560,625
SCHEDULE 8 : OTHER CURRENT ASSETS		
Income Accrued but not due	197,256,338	174,199,705

SONATA SOFTWARE LIMITED

Schedules (Contd.)

	AS AT 31.03.2003	AS AT 31.03.2002
(Rs.)		
SCHEDULE 9 : LOANS AND ADVANCES		
Unsecured		
(Considered good, unless otherwise stated)		
Loans to Employees*	7,210,409	7,611,931
Advances recoverable in cash or in kind or for value to be received :		
Considered Good		
From Subsidiary Company	28,835,845	37,200,865
Others	27,999,864	25,694,901
	<u>56,835,709</u>	<u>62,895,766</u>
Advance payment of tax (net of provisions)	108,880,619	114,457,965
	<u>172,926,737</u>	<u>184,965,662</u>
* Advances Include due from Directors & Officer : Rs.3,549,108 Previous year : Rs.4,333,118 Maximum due during the year : Rs.4,344,519 Previous year : Rs.5,064,429		
SCHEDULE 10 : CURRENT LIABILITIES		
Sundry Creditors		
Due to SSI	-	-
Others	4,886,850	7,024,418
	<u>4,886,850</u>	<u>7,024,418</u>
Other Liabilities	27,286,885	23,939,243
Investor Education and Protection Fund	1,760,073	1,209,114
	<u>33,933,808</u>	<u>32,172,775</u>
SCHEDULE 11 : PROVISIONS		
Dividend	31,547,792	15,773,896
Dividend Tax	4,042,061	-
	<u>35,589,853</u>	<u>15,773,896</u>

SONATA SOFTWARE LIMITED

Schedules (Contd.)

(Rs.)

	YEAR ENDED 31.03.2003	YEAR ENDED 31.03.2002
SCHEDULE 12 : OTHER INCOME		
Interest received - Gross <i>(Tax Deducted at Source Rs.745,922 previous year Rs.682,547)</i>	4,884,851	3,425,442
Foreign Exchange Variation (Net)	-	684,413
Excess Provisions no longer required	4,260,170	1,697,083
Sundry balances written back	1,558,200	1,898,974
Profit on Sales of Investments	161,392	4,804,506
Profit on Sales of Fixed Assets (Net)	-	146,672
Dividend Received	-	10,125,043
Miscellaneous Income	354,551	632,425
	11,219,164	23,414,558
SCHEDULE 13 : OPERATING AND OTHER EXPENSES		
Salaries, Wages, Bonus and Allowances (Including Directors remuneration)	213,820,944	229,113,050
Contribution to Provident Fund and other Funds	10,076,445	9,878,170
Staff Welfare Expenses	2,273,125	4,871,535
	226,170,514	243,862,755
Power and Fuel	9,779,961	11,758,790
Rent	15,880,016	13,984,834
Rates & Taxes	475,611	974,348
Insurance	9,376,276	6,884,421
Repairs to :		
Plant and Machinery	1,483,790	1,041,340
Others	7,646,037	10,266,269
	9,129,827	11,307,609
Travelling and Conveyance Expenses	52,643,274	58,062,156
Subsistence/Living Cost	281,955,255	316,521,126
Legal, Professional and Technical Fees	69,548,766	34,503,333
Communication Cost	11,595,504	14,789,213
Auditors Remuneration		
Audit Fees	500,000	500,000
Taxation Matters	676,200	1,056,500
Certification	436,250	780,100
Out of pocket expenses	158,494	159,850
	1,770,944	2,496,450
Miscellaneous Expenses	17,562,384	21,110,238
Foreign Exchange Variation (Net)	901,584	-
Loss on Sales of Fixed Assets (Net)	94,917	-
Loss on fixed assets discarded	-	421,605
	706,884,833	736,676,878
Less: Service charges recovered from subsidiary	86,599,535	91,027,459
	620,285,298	645,649,419
SCHEDULE 14: (INCREASE)/DECREASE IN STOCKS		
Opening Stock		
In process	24,024,372	4,743,981
Finished Products	9,666,192	4,400,019
	33,690,564	9,144,000
Closing Stock		
In process	22,252,143	24,024,372
Finished Products	11,142,403	9,666,192
	33,394,546	33,690,564
(Increase)/ Decrease in Stocks	296,018	(24,546,564)

SCHEDULE 15: NOTES FORMING PART OF THE ACCOUNTS

(Rs.)

1. SIGNIFICANT ACCOUNTING POLICIES

31.03.2003 31.03.2002

a) FIXED ASSETS AND DEPRECIATION

Fixed assets are stated at cost less depreciation. For this purpose cost comprises of cost of acquisition and all costs directly attributable to bringing the asset to the present condition for its intended use.

Depreciation has been provided on Building & Plant & Machinery, on straight line basis and on other assets on written down value at the rate specified in Schedule XIV of the Companies Act, 1956, (as amended), or at the rates as per company's depreciation policy for the following items:

Rates of Depreciation
Sch. XIV Rate Rate Adopted

Computers & Software	16.21 %	33.33 %
----------------------	---------	---------

b) INVESTMENTS

Long term Investments are stated at cost. Provision for diminution in long term investments is made, if it is permanent.

Short term Investments are stated at cost or fair market value whichever is lower.

c) INVENTORIES

Software products developed/under development are stated at cost. Software development cost incurred on products ready for marketing are amortised equally over a period of three years or earlier based on Management's evaluation of expected sales volumes and duration of the products life cycle.

d) SERVICES

Revenue from technical Service Contracts/Software Development are recognised on the basis of achievement of prescribed milestones as relevant to each contract or proportionate completion method as applicable.

e) FOREIGN CURRENCY TRANSACTIONS

Purchases and Services revenues are accounted at the monthly standard rate. Exchange fluctuations arising on payment or realisation are dealt with in the Profit and Loss Account. Current Assets and Current Liabilities are restated at the year-end closing rate / forward contract rate as applicable and any differences arising thereof have been dealt with in the Profit and Loss Account to the extent it pertains to the current year.

f) RETIREMENT BENEFITS

Company's Contributions to Provident Fund have been made to an approved Fund.

Company's Contributions to Superannuation (based on a percentage of Salary) and Gratuity (on actuarial basis) have been provided.

2. Estimated amount of contracts remaining to be executed and not provided for as on 31st March, 2003 (net of advances) **809,926** 76,500

3. Contingent Liabilities not provided for

a) Contingent Liabilities for Income Tax of Rs 54,402,948 (Rs. 142,217,238) in respect of Assessment years 1995-96 to 1997-98 in respect of which the Company has gone on appeals. Based on judicial pronouncements, the Company's claim is likely to be accepted by the Appellate Authorities.

However, as a matter of prudence, the Company has so far paid Rs.50,852,434/-(Rs. 140,664,454/-) against these liabilities.

b) Contingent liability for ESI of Rs.180,097 (Rs.180,097) for which Company has gone on appeal and is pending with High court. However, as a matter of prudence the Company has paid Rs.90,049 (Rs.90,049) against the aforesaid amount.

4. Claims against the Company not acknowledged as debts - **100,481,513** 7,160,461

The amount for the year ended 31.03.03 includes Rs.93,321,052 being the claim made by the Income tax authorities in respect of tax deductible from payments to non-resident suppliers for import of software.

5. Remuneration & perquisites to whole time directors

Salaries	3,688,923	3,396,675
Contribution to Provident fund & Super annuation fund	470,214	488,970
Actual reimbursement of medical expenses & personal accident insurance premium	121,988	70,690
Other perquisites as calculated under income tax Act, 1961	217,296	773,797
Commission	5,721,558	5,552,482

10,219,979 10,282,614

	(Rs.)	
	31.03.2003	31.03.2002
6. Computation of Net Profit in accordance with Section 309 (5) of the Companies Act, 1956:		
Profit before taxes as per P & L A/c.	191,955,254	185,918,141
Add: Wholetime Directors' Remuneration	10,219,979	10,282,614
Net Profit as per Section 309(5)	202,175,233	196,200,755
10% of eligible profit	20,217,523	19,620,076
Commission on Net Profit to:		
Managing Director @ 1.00%	2,021,752	1,962,008
Wholetime Director @ 0.33%	667,178	647,462
Wholetime Director @ 0.50%	1,010,876	981,004
Non Wholetime Directors @ 1.00%	2,021,752	1,962,008
	5,721,558	5,552,482
7. Value of imports calculated on CIF basis		
Capital Goods	412,119	-
8. Expenditure incurred in foreign currency on account of		
Travelling	26,805,617	28,372,593
Subsistence /Living cost	281,955,255	316,521,126
Overseas Salaries	14,975,234	9,164,906
Others	1,521,567	3,498,982
	325,257,673	357,557,607
9. Earnings in foreign exchange		
Software services rendered (Net)	834,297,802	813,723,581
10. SSI Creditors & Amount owed over 30 days	NIL	NIL
11. Income from Services includes gain on account of exchange fluctuation of Rs,1,584,809/- and Rs.19,667,137/- for the Current year ended 31 st March, 2003 and previous year ended 31 st March, 2002 respectively.		

12. Provision for the year ended 31st March, 2003 consists of the following:

(Rs.)

Current Taxes:	
Domestic	14,259,912 (6,000,000)
Foreign	-
	(-)
Deferred Taxes:	
Domestic	11,124,590 (-)
Foreign	10,709,582 (1,804,282)
Provision for wealth tax	82,300 (62,100)
Total	36,176,384 (7,866,382)

13. Deferred tax utilization (net) for the year ended 31st March, 2003 amounts to Rs. 21,834,172/- and DTA includes foreign exchange gain of Rs.303,592/-.

Significant Components of the Company's Deferred Tax Asset (Liability) are as follows: (Rs.)

	DTA	DTL	Net DTA/DTL
Carry Forward Loss	26,748,376 (43,347,560)	-	26,748,376 (43,347,560)
MAT Credit	-	-	-
	(7,552,449)	(-)	(7,552,449)
Others	770,389 (3,086,180)	5,672,428 (10,609,273)	-4,902,039 (-7,523,093)
Total	27,518,765 (53,986,189)	5,672,428 (10,609,273)	21,846,337 (43,376,916)

14. Previous year's figures are shown in brackets and have been regrouped, wherever necessary to conform to current year's classification.

15. Related Party Transactions:

(The list of related parties and nature of their relationship is disclosed in the annexure)

The company has a defined loan policy for all its employees. Such loans are repayable over fixed period ranging from 12-180 months. Loans are provided at subsidised rate of interest of 3% per annum for the purpose of acquiring property and vehicles. All the loans are generally secured by the assets acquired by the employees. The following are the loans due from key managerial persons of the Company as at 31st March, 2003

(Rs.)

Name	Amount due on account of Loan
B Ramaswamy	3,286,072 (3,514,525)
P Srikar Reddy	-
	(555,906)

Remuneration of Directors & Key managerial Persons

(Rs.)

Name	Salaries *	Commission provided during the year	Total
B Ramaswamy	2,315,802 (2,523,181)	2,021,752 (1,962,008)	4,337,554 (4,485,189)
P Srikar Reddy	2,182,619 (2,206,951)	1,010,876 (981,004)	3,193,495 (3,187,955)
MD Dalal		667,178 (647,462)	667,178 (647,462)
S B Ghia		603,294 (654,003)	603,294 (654,003)
Rajan B Raheja		603,294 (654,003)	603,294 (654,003)
Pradip P Shah		603,294 (654,002)	603,294 (654,002)
S N Talwar		211,870 (-)	211,870 (-)

* Salaries include taxable value of perquisites.

Other Related Parties:

Sonata Information Technology limited (SITL) is a company incorporated in India. SITL is a wholly owned subsidiary of SSL and both the Companies have two common directors. Amounts included in the financial statements of the Company are in relation to administrative services, normal business transactions with SITL, as given below:

(Rs.)

	Balance as on 01.04.02	Transaction during the year	Amt. received during the year	Balance as on 31.03.03
Deputation Expenses	2,071,915 (1,125,336)	16,931,334 (9,086,051)	13,084,093 (8,139,472)	5,919,156 (2,071,915)
Service charges	35,128,950 (51,131,792)	86,599,535 (91,027,459)	101,311,796 (107,030,301)	20,416,689 (35,128,950)
Assets Purchased	- (-)	5,459,891 (-)	5,459,891 (-)	- (-)
Other Exp.	- (-)	2,714,716 (3,181,189)	2,714,716 (3,181,189)	- (-)
Current a/c. transaction	- (-)	2,500,000 (-)	- (-)	2,500,000 (-)
Total	37,200,865 (52,257,128)	114,205,476 (103,294,699)	122,570,496 (118,350,962)	28,835,845 (37,200,865)

Futura Polysters Ltd (FPL) Formerly known as Indian Organic Chemicals Limited (IOCL) is a company incorporated in India. Sonata and FPL have three common directors. Amounts included in the financial statements of the Company (SSL) are in relation to revenue expenditure accounted by Sonata for normal business transaction with FPL, as given below:

(Rs.)

	Balance on 01.04.02	Transaction during the year	Balance on 31.03.03
Guest House expenses	- (-)	- (69,727)	- -
Membership expenses	- (-)	- (22,500)	- -
Travelling expenses	- (-)	- (29,848)	- (-)

Offshore Digital Services Incorporated (ODSi) a company incorporated in California, United States of America, which is engaged in the development of computer software and marketing. Sonata holds 95% of the equity of ODSi. Sonata provides software development services (both offshore & onsite) to ODSi for which Sonata invoices directly to ODSi at pre agreed man month rates, while ODSi charges Sonata for the living/subsistence allowance for the employees of Sonata deputed/posted with them at the pre agreed rate. Transactions with the Company included in the financial statements as on 31st March, 2003 are as follows.

(Rs.)

Particulars	Op. Balance As at 01.04.02	Transaction during the year	Amt. received/ paid during the year	Cl. Balance As at 31.03.03
Receivable	107,198,721 (281,214,819)	262,158,163 (348,143,380)	277,566,078 (522,159,478)	91,790,806 (107,198,721)
Living / Subsistence allowance Payable	1,181,944 (586,929)	197,648,598 (272,290,403)	197,323,577 (271,695,388)	1,506,965 (1,181,944)
Travelling Expenses	357,239 (-)	4,345,040 (2,976,763)	4,277,370 (2,619,524)	424,909 (357,239)
Assets Purchased	- (-)	209,361 (243,304)	209,361 (243,304)	- (-)
Other Expenses	10,246 (-)	2,510,971 (251,854)	1,573,378 (241,608)	947,839 (10,246)

Abisko Development Limited (Abisko) a company incorporated in Cyprus, which is engaged in development of computer software products. Sonata holds 80.10% of the equity in Abisko. Sonata provides software development services to Abisko according to their requirement for which Sonata invoices Abisko directly at pre agreed rates for each project. Abisko provides software development services & products to Scala ECE (overseas) Limited (Scala), a company incorporated in Cyprus and is a minority shareholder in Abisko (19.9% holding). The transactions with the company included in the financial statements as on 31st March, 2003 is as under:

(Rs.)

	Balance as at 01.04.02	Sales during the year	Balance as at 31.03.03
Sundry Debtors	- (-)	- (27,078,450)	- (-)

16. Operating Leases

The Company has various operating leases for office facilities and residential premises for employees that are renewable on a year basis, and cancelable at its option. Rental expenses for operating leases included in the Income statements for the year is Rs.15,880,016/- (Rs.13,822,442/-)

As of 31st March, 2003 future minimum lease payments for non-cancelable operating leases for the next five fiscal years are provided below.

(Rs.)

For the year ending	
31.03.04	12,773,683 (9,642,044)
31.03.05	6,463,233 (4,372,548)
31.03.06	4,166,497 (3,503,268)
31.03.07	-
31.03.08	-

As per our Report annexed

For N M RAIJI & Co.
Chartered Accountants

Y N THAKKAR
Partner

For and on behalf of the Board

S B GHIA
Chairman

M D DALAL
Executive Vice Chairman

B RAMASWAMY
Managing Director & President

RAJAN B RAHEJA
Director

PRADIP P SHAH
Director

S N TALWAR
Director

P SRIKAR REDDY
Sr. Vice President &
Director

THOMAS K JOSEPH
Sr. Vice President &
Chief Financial Officer

N EBENEZER DEVASAHAYAM
Associate Vice President - Finance
& Company Secretary

Mumbai, 17th April, 2003

SONATA SOFTWARE LIMITED

LIST OF RELATED PARTIES & NATURE OF RELATIONSHIP

	List of related parties	Nature of Relationship
S.B.Ghia, Chairman	Bhupati Investments & Finance Pvt. Ltd (BIFL)	Significant Influence (through VIL); Spouse, Mrs.R.S.Ghia and Mrs.V.D.Ghia are Directors
	Chika Pvt Limited	Brother Mr.D.B.Ghia is CMD, Son Mr.N.S.Ghia and self are Directors
	Viraj Investments Pvt. Ltd (VIL)	Self & Spouse, Brother and Brother's wife are Directors
M.D.Dalal, Executive Vice Chairman	Daltreya Investment & Finance P Ltd	Spouse, Mother & Sister are Directors
Rajan B Raheja, Director	Suman R Raheja	Wife
	Akshay R Raheja	Son
	Master Viren R Raheja	Son
	Excelsior Construction Private Ltd	100% shareholding by Mr.Rajan B Raheja & his family
	Gstaad Investments & Finance Pvt Ltd	100% shareholding by Mr.Rajan B Raheja & his family
	Trophy Investments & Finance Pvt Ltd	100% shareholding by Mr.Rajan B Raheja & his family
B Ramaswamy, President & Managing Director	Sonata Information Technology Ltd	Director
P Srikar Reddy, Sr. Vice President & Director	Sonata Information Technology Ltd	Director
	Abisko Development Ltd, Cyprus	Director
Subsidiaries	Sonata Information Technology Ltd Abisko Development Ltd, Cyprus Offshore Digital Services Inc., USA	Wholly owned subsidiary of Sonata Subsidiary of Sonata Subsidiary of Sonata
Joint Venture/Associates	Scala ECE (Overseas) Limited	Joint Venture Partner of Sonata for incorporating Abisko Development Ltd, Cyprus

Note : Above disclosures have been made by the Directors pursuant to the legal opinion from M/s Kanga & Co, Solicitors.

Additional information Pursuant to Provisions of part IV of schedule VI to the Companies Act, 1956.

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I REGISTRATION DETAILS

REGISTRATION NO.	82110	STATE CODE	11
BALANCE SHEET DATE	31.03.2003		

II CAPITAL RAISED DURING THE YEAR (AMOUNT IN RS.)

PUBLIC ISSUE	NIL	RIGHTS ISSUE	NIL
BONUS ISSUE	NIL	PRIVATE PLACEMENT	NIL

III POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS (AMOUNT IN RS.)

TOTAL LIABILITIES	1,473,535,103	TOTAL ASSETS	1,473,535,103
--------------------------	----------------------	---------------------	----------------------

SOURCES OF FUNDS

PAID UP CAPITAL	105,159,306	RESERVES & SURPLUS	1,363,473,758
SECURED LOANS	NIL	UNSECURED LOANS	NIL
DEFERRED TAX LIABILITY	4,902,039		

APPLICATION OF FUNDS

NET FIXED ASSETS	102,674,888	INVESTMENTS	621,218,820
NET CURRENT ASSETS	722,893,019	DEFERRED TAX ASSET	26,748,376
ACCUMULATED LOSSES	NIL	MISC. EXPENDITURE	NIL

IV PERFORMANCE OF COMPANY (AMOUNT IN RS.)

TURNOVER	845,516,966	TOTAL EXPENDITURE	653,561,712
PROFIT BEFORE TAX	191,955,254	PROFIT AFTER TAX	155,778,870
EARNING PER SHARE	1.48	DIVIDEND RATE (INCL. INTERIM 20%)	50%

V GENERIC NAMES OF PRINCIPAL PRODUCTS OF THE COMPANY

ITEM CODE NO. (ITC CODE)	85249009.1
PRODUCT DESCRIPTION	COMPUTER SOFTWARE

As per our Report annexed

For N M RAIJI & Co.
Chartered Accountants

Y N THAKKAR
Partner

For and on behalf of the Board

S B GHIA
Chairman

M D DALAL
Executive Vice Chairman

B RAMASWAMY
Managing Director & President

RAJAN B RAHEJA
Director

PRADIP P SHAH
Director

S N TALWAR
Director

P SRIKAR REDDY
Sr. Vice President &
Director

THOMAS K JOSEPH
Sr. Vice President &
Chief Financial Officer

N EBENEZER DEVASAHAYAM
Associate Vice President - Finance
& Company Secretary

Mumbai, 17th April, 2003

SONATA SOFTWARE LIMITED

CASH FLOW STATEMENT

	(Rs.)	
	YEAR ENDED 31.03.2003	YEAR ENDED 31.03.2002

A. CASH FLOW FROM OPERATING ACTIVITIES

Net Profit before Tax & extraordinary items **191,955,254** **185,918,141**

Adjustments for:

Depreciation	23,269,505	28,457,992
Interest Received	(4,884,851)	(3,425,442)
Bad debts	8,605,690	551,990
Provision no longer required	(4,260,170)	(1,697,083)
Sundry Balances written back	(1,558,200)	(1,898,974)
Provision for doubtful debts	1,105,201	1,107,161
Foreign Exchange Fluctuation on DTA (Profit)/Loss on sale of Fixed Assets	94,917	(146,672)
Loss on assets discarded	-	421,605
Dividend received	-	(10,125,043)
Profit on sale of investments	(161,392)	(4,804,506)

Operating Profit before working capital changes

214,165,954 **192,815,669**

Adjustments for:

Dec./(Inc.) in Sundry Debtors	(49,102,097)	126,878,714
Dec./(Inc.) in Inventories	296,018	(24,546,564)
Dec./(Inc.) in Other current assets	(23,056,633)	(54,183,427)
Dec./(Inc.) in Loans and Advances	(20,837,460)	16,423,064
(Dec.)/Inc. in Current Liabilities & Provisions	3,319,233	4,964,596
(Dec.)/Inc. in Deferred Tax Liability	4,902,039	-
Dec./(Inc.) in Deferred Tax Asset	16,628,540	1,804,282
Cash generated from operations:	146,315,594	264,156,334
Direct taxes / Advance tax paid	(3,300,000)	(25,969,736)

Net Cash from operating activities (A) **143,015,594** **238,186,598**

	(Rs.)	
	YEAR ENDED 31.03.2003	YEAR ENDED 31.03.2002

B. CASH FLOW FROM INVESTING ACTIVITIES

Dividend received	-	10,125,043
Interest Received	4,884,851	3,425,442
Purchase of Fixed Assets	(17,384,966)	(8,727,309)
Sale of Fixed Assets	1,181,520	630,282
Sale of Investments	41,615,124	573,796,005
Purchase of Investments	(80,472,533)	(653,273,629)
Investments in Subsidiaries	-	(324,439,766)

Net Cash used in Investing Activities (B) **(50,176,004)** **(398,463,932)**

C. CASH FLOW FROM FINANCING ACTIVITIES

Proceeds from issue of Share Capital	-	5,152,506
Advance against Share Application Money	-	(275,144,000)
Share premium	-	269,991,314
Dividends / Dividend Taxes Paid	(36,805,757)	(56,239,361)

Net cash from financing activities (C) **(36,805,757)** **(56,239,541)**

Net increase/(decrease) in Cash and Cash equivalents (A+B+C) **56,033,833** **(216,516,875)**

Opening Cash & Cash equivalents **95,560,625** **312,077,500**

Closing Cash & Cash equivalents **151,594,458** **95,560,625**

Notes:

1. Cash and Cash Equivalents:

Cash and cash equivalents consists of cash on hand and balances with banks. Cash and cash equivalents included in the Cash Flow statement comprise of the following balance sheet amounts

	Year ended 31.03.2003	Year ended 31.03.2002
Cash on hand and balance with banks	151,731,365	95,632,824
Short term investments	-	-
Cash and Cash Equivalents	151,731,365	95,632,824
Effect of exchange rate change	(136,907)	(72,199)
Cash and Cash Equivalents as restated	151,594,458	95,560,625

2. The Company has undrawn borrowing facilities of Rs.1350 lacs

3. Direct taxes / Advance tax paid during the year ended 31.03.2003 amounted to Rs.33 lacs

4. Previous year's figures have been regrouped wherever necessary to conform to current year's classification

As per our Report annexed

For N M RAIJI & Co.
Chartered Accountants

Y N THAKKAR
Partner

For and on behalf of the Board

S B GHIA
Chairman

M D DALAL
Executive Vice Chairman

B RAMASWAMY
Managing Director & President

RAJAN B RAHEJA
Director

PRADIP P SHAH
Director

S N TALWAR
Director

P SRIKAR REDDY
Sr. Vice President &
Director

THOMAS K JOSEPH
Sr. Vice President &
Chief Financial Officer

N EBENEZER DEVASAHAYAM
Associate Vice President - Finance
& Company Secretary

Mumbai, 17th April, 2003

SONATA SOFTWARE LIMITED

STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956 RELATING TO SUBSIDIARY COMPANY

1. Name of the Subsidiary	Sonata Information Technology Limited	Offshore Digital Services Inc.	Abisko Development Limited
2. Financial year ended	31 st March, 2003	31 st March, 2003	31 st March, 2003
3. Holding Company's interest	100% in Equity Share Capital	95% in Equity Share Capital	80.10% in Equity Share Capital
4. Shares held by the holding Company in the Subsidiary	6,000,700 shares of Rs.10/- each	285,000 shares	500,625 shares of USD1 each
5. The net aggregate of profits or losses for the above financial year of the subsidiary so far as it concerns the members of the holding company			
a. dealt with or provided for in the accounts of the holding Company	Nil	Nil	Nil
b. not dealt with or provided for in the accounts of the holding Company	Profit: Rs.12,219,939	Profit: USD 223,046	Loss: USD 11,083
6. The net aggregate of profits or losses for the previous financial year of the subsidiary so far as it concerns the members of the holding company			
a. dealt with or provided for in the accounts of the holding Company	Nil	Nil	Nil
b. not dealt with or provided for in the accounts of the holding Company	Profit: Rs.8,214,998	Profit: USD 107,041	Loss: USD 14,042

For and on behalf of the Board

S B GHIA
Chairman

RAJAN B RAHEJA
Director

P SRIKAR REDDY
Sr. Vice President &
Director

M D DALAL
Executive Vice Chairman

PRADIP P SHAH
Director

THOMAS K JOSEPH
Sr. Vice President &
Chief Financial Officer

B RAMASWAMY
Managing Director & President

S N TALWAR
Director

N EBENEZER DEVASAHAYAM
Associate Vice President - Finance
& Company Secretary

SONATA SOFTWARE LIMITED**Auditor's Report to the Board of Directors of Sonata Software Limited on the Consolidated Financial Statements of Sonata Software Limited and its Subsidiaries**

We have audited the attached consolidated Balance Sheet of Sonata Software Limited and its subsidiaries as at 31st March, 2003 and also the consolidated Profit and Loss Account for the year ended on that date annexed thereto and the consolidated cash flow statement for the year ended on that date.

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. 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 misstatements. 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.

We did not audit the financial statements of certain subsidiaries, whose financial statements reflect total assets of USD 3,730,951 as at 31st March, 2003 and total revenues of USD 7,198,097 for the year then ended. These financial statements have been audited by other auditors whose reports have been furnished to us, and our opinion, in so far as it relates to the amounts included in respect of the subsidiaries, is based solely on the report of the other auditors.

We report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standards (AS) 21, Consolidated Financial Statements, issued by the Institute of Chartered Accountants of India and on the basis of the separate audited financial statements of Sonata Software Limited and its subsidiaries included in the consolidated financial statements.

On the basis of the information and explanation given to us and on the consideration of the separate audit reports on individual audited financial statements of Sonata Software Limited and its aforesaid subsidiaries, we are of the opinion that:

- a. the consolidated balance sheet gives a true and fair view of the consolidated state of affairs of Sonata Software Limited and its subsidiaries as at 31st March, 2003; and
- b. the consolidated profit and loss account gives a true and fair view of the consolidated results of operations of Sonata Software Limited and its subsidiaries for the year then ended.
- c. the consolidated cash flow statement of the cash flows for the year ended on that date.

For N M Rajji & Co.
Chartered Accountants

Y N Thakkar
Partner

Mumbai, 17th April, 2003

SONATA SOFTWARE LIMITED - CONSOLIDATED FINANCIAL STATEMENT

BALANCE SHEET AS AT 31ST MARCH, 2003

(Rs.)

	SCHEDULE	AS AT 31.03.2003	AS AT 31.03.2002
SOURCES OF FUNDS			
SHAREHOLDER'S FUNDS			
Share Capital	1	105,159,306	105,159,306
Reserves and Surplus	2	<u>1,298,034,935</u>	<u>1,202,120,463</u>
		1,403,194,241	1,307,279,769
LOAN FUNDS			
Unsecured Loan	3	<u>4,600,000</u>	<u>9,100,000</u>
		4,600,000	9,100,000
DEFERRED TAX LIABILITY			
	4	<u>5,130,830</u>	<u>633,760</u>
TOTAL FUNDS EMPLOYED		<u>1,412,925,071</u>	<u>1,317,013,529</u>
APPLICATION OF FUNDS			
FIXED ASSETS			
Gross Block	5	441,023,224	426,902,845
Less : Depreciation		<u>206,613,507</u>	<u>150,442,464</u>
Net Block		234,409,717	276,460,381
Capital work-in-progress		<u>61,724</u>	<u>81,090</u>
		234,471,441	276,541,471
INVESTMENTS			
	6	217,724,021	178,505,807
DEFERRED TAX ASSET			
	7	111,445,335	131,075,265
CURRENT ASSETS, LOANS & ADVANCES			
Inventories	8	107,222,430	116,076,334
Sundry Debtors	9	570,451,676	520,040,579
Cash and Bank Balances	10	175,610,805	120,322,923
Other Current Assets	11	230,330,121	197,895,589
Loans and Advances	12	<u>161,564,920</u>	<u>184,771,707</u>
		1,245,179,952	1,139,107,132
Less: CURRENT LIABILITIES & PROVISIONS			
Current Liabilities	13	360,305,825	392,442,250
Provisions	14	<u>35,589,853</u>	<u>15,773,896</u>
		395,895,678	408,216,146
NET CURRENT ASSETS		849,284,274	730,890,986
TOTAL FUNDS APPLIED		<u>1,412,925,071</u>	<u>1,317,013,529</u>
NOTES FORMING PART OF ACCOUNTS	21		

As per our Report annexed

For and on behalf of the Board

For **N M RAIJI & Co.**
Chartered Accountants

Y N THAKKAR
Partner

S B GHIA
Chairman

M D DALAL
Executive Vice Chairman

B RAMASWAMY
Managing Director & President

RAJAN B RAHEJA
Director

PRADIP P SHAH
Director

S N TALWAR
Director

P SRIKAR REDDY
Sr. Vice President &
Director

THOMAS K JOSEPH
Sr. Vice President &
Chief Financial Officer

N EBENEZER DEVASAHAYAM
Associate Vice President - Finance
& Company Secretary

Mumbai, 17th April, 2003

SONATA SOFTWARE LIMITED - CONSOLIDATED FINANCIAL STATEMENT

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2003

(Rs.)

	SCHEDULE	YEAR ENDED 31.03.2003	YEAR ENDED 31.03.2002
INCOME			
Sales and Services (Net)	15	2,563,089,086	2,247,421,500
Other Income	16	15,248,691	27,915,225
Total Income		2,578,337,777	2,275,336,725
EXPENDITURE			
Operating and Other Expenses	17	880,596,095	886,700,069
Purchase of traded items	18	1,418,794,074	1,127,445,240
Interest	19	1,210,869	7,730,783
Depreciation		58,886,057	32,320,927
Bad debts		12,376,933	21,695,658
Provision for Doubtful Debts		1,105,201	3,438,581
		2,372,969,229	2,079,331,258
Add/(Less) : (Increase)/ Decrease in Stocks	20	8,853,904	(26,061,913)
Total Expenditure		2,381,823,133	2,053,269,345
Profit Before Tax		196,514,644	222,067,380
Provision for Tax		43,978,454	13,172,155
Profit After Tax		152,536,190	208,895,225
Add : Balance of Profit brought forward from previous year		443,496,048	291,551,834
Disposable Surplus		596,032,238	500,447,059
Proposed Dividend		31,547,792	15,773,896
Interim Dividend		21,031,861	21,031,861
Provision for Dividend Tax		4,042,061	2,145,250
Transfer to General Reserve		16,000,000	18,000,000
Balance Carried to Balance Sheet		523,410,524	443,496,052
		596,032,238	500,447,059
NOTES FORMING PART OF ACCOUNTS	21		
EPS-Basic (on Re.1/- per share)		1.45	1.99
EPS-Diluted (on Re.1/- per share)		1.45	1.99
EPS-Basic (Annualised) (on Re.1/- per share)		1.45	1.99
EPS-Diluted (Annualised) (on Re.1/- per share)		1.45	1.99

As per our Report annexed

For and on behalf of the Board

For **N M RAIJI & Co.**
Chartered Accountants

Y N THAKKAR
Partner

S B GHIA
Chairman

M D DALAL
Executive Vice Chairman

B RAMASWAMY
Managing Director & President

RAJAN B RAHEJA
Director

PRADIP P SHAH
Director

S N TALWAR
Director

P SRIKAR REDDY
Sr. Vice President &
Director

THOMAS K JOSEPH
Sr. Vice President &
Chief Financial Officer

N EBENEZER DEVASAHAYAM
Associate Vice President - Finance
& Company Secretary

Mumbai, 17th April, 2003

SONATA SOFTWARE LIMITED - CONSOLIDATED FINANCIAL STATEMENT

Schedules attached to and forming part of the accounts for the year ended 31st March, 2003

(Rs.)

	AS AT 31.03.2003	AS AT 31.03.2002
SCHEDULE 1 : SHARE CAPITAL		
Authorised :		
150,000,000 Equity Shares of Re. 1/- each	<u>150,000,000</u>	<u>150,000,000</u>
Issued , Subscribed and Called up :		
105,159,306 Equity Shares of Re.1/- each (Previous year 105,159,306 Equity Shares of Re.1/ each)	<u>105,159,306</u>	<u>105,159,306</u>
Paid-Up :		
105,159,306 Equity shares of Re.1/- each fully paid up	<u>105,159,306</u>	<u>105,159,306</u>
<i>Of the above :</i>		
(1) 17,500,000 shares of Re.1/- each have been allotted as fully paid pursuant to a contract without payment being received in cash.		
(2) 42,270,800 equity shares of Re. 1/- each, fully paid up, have been allotted as bonus shares by capitalization of balance in Profit & Loss Account.		
SCHEDULE 2 : RESERVES AND SURPLUS		
Securities Premium Account	450,924,411	450,924,411
General Reserve		
Balance brought forward	307,700,000	289,700,000
Transferred from Profit and Loss account	<u>16,000,000</u>	<u>18,000,000</u>
	323,700,000	307,700,000
Profit and Loss Account	523,410,524	443,496,052
	<u>1,298,034,935</u>	<u>1,202,120,463</u>
SCHEDULE 3 : UNSECURED LOAN		
Fixed Deposit	<u>4,600,000</u>	<u>9,100,000</u>
SCHEDULE 4 : DEFERRED TAX LIABILITY		
Share of Joint Venture	-	-
Others	5,130,830	633,760
	<u>5,130,830</u>	<u>633,760</u>

SONATA SOFTWARE LIMITED - CONSOLIDATED FINANCIAL STATEMENT

Schedules (Contd.)

SCHEDULE 5: FIXED ASSETS

(Rs.)

Assets	Gross Block				Depreciation				Net Block As at 31.03.03
	Cost as at 01.04.02	Additions	Deductions/ Adjustments	Cost as at 31.03.03	As at 01.04.02	For The Year	Deductions/ Adjustments	As at 31.03.03	
Goodwill	160,420,953	-	-	160,420,953	-	32,084,191	-	32,084,191	128,336,762
	-	(160,420,953)	-	(160,420,953)	-	-	-	-	(160,420,953)
Buildings	15,487,000	6,000	-	15,493,000	441,248	252,472	-	693,720	14,799,280
	(15,487,000)	-	-	(15,487,000)	(188,810)	(252,438)	-	(441,248)	(15,045,752)
Plant & Machinery	157,215,870	8,307,251	-	165,523,121	106,638,376	16,777,603	-	123,415,979	42,107,142
	(164,714,524)	(1,702,269)	(9,200,923)	(157,215,870)	(94,366,926)	(21,295,604)	(9,024,154)	(106,638,376)	(50,577,494)
Furniture & Fixtures	62,782,143	1,871,510	(50,953)	64,704,606	31,454,038	6,095,389	(24,045)	37,573,472	27,131,134
	(59,023,442)	(4,345,631)	(586,930)	(62,782,143)	(25,044,495)	(6,882,398)	(472,855)	(31,454,038)	(31,328,105)
Motor Car & Vehicles	10,083,453	5,794,716	3,702,133	12,176,036	5,072,063	1,469,216	2,539,466	4,001,813	8,174,223
	(9,928,947)	(1,513,930)	(1,359,424)	(10,083,453)	(4,311,227)	(1,572,802)	(811,966)	(5,072,063)	(5,011,390)
Air Conditioners & Other Equipments	20,913,426	2,158,792	366,710	22,705,508	6,836,739	2,207,185	199,592	8,844,332	13,861,176
	(19,277,840)	(2,272,693)	(637,107)	(20,913,426)	(4,888,871)	(2,317,685)	(369,817)	(6,836,739)	(14,076,687)
TOTAL	426,902,845	18,138,269	4,017,890	441,023,224	150,442,464	58,886,057	2,715,013	206,613,507	234,409,717
	(268,431,753)	(170,255,476)	(11,784,384)	(426,902,845)	(128,800,329)	(32,320,927)	(10,678,792)	(150,442,464)	(276,460,381)
Capital work in progress									61,724
									(81,090)
GRAND TOTAL									234,471,441
									(276,541,471)

- Note: 1. Figures in brackets pertain to previous year ended 31st March, 2002.
2. Buildings include cost of shares Rs.7,000 (Rs.1000).

SONATA SOFTWARE LIMITED - CONSOLIDATED FINANCIAL STATEMENT

Schedules (Contd.)

	AS AT 31.03.2003	AS AT 31.03.2002
(Rs.)		
SCHEDULE 6 : INVESTMENTS		
LONG TERM (AT COST)		
TRADE, UNQUOTED		
IN FOREIGN HOLDINGS		
8,333,333 shares of Series B Convertible Preferred Stocks of 0.01 USD in SpinAway eBusiness Solutions Inc., USA (fully paid) <i>[Previous year 8,333,333 shares of Series B Convertible preferred stocks-fully paid]</i>	93,388,750	93,388,750
138 shares of Principal Financial Group Inc., of USD 30.13 per share (Previous year Nil)	<u>199,415</u>	<u>-</u>
	93,588,165	93,388,750
SHORT TERM (AT COST, UNLESS OTHERWISE SPECIFIED)		
MUTUAL FUNDS UNITS (QUOTED)		
PRUDENTIAL ICICI MUTUAL FUND - INCOME PLAN <i>[Previous year 93,692.922 units at Rs.10.179 per unit]</i>	-	953,732
PRUDENTIAL ICICI LIQUID PLAN 1,584,013.551 units at Rs.13.9316 per unit <i>[Market Value Rs.14.87 per unit aggregating to Rs.23,554,282]</i> <i>[Previous year 1,514,393.28 units at Rs.13.9299 per unit]</i>	22,067,880	21,095,347
ZURICH MUTUAL FUND - GROWTH PLAN 4,335,993.65 units at Rs.11.7673 per unit <i>[Market Value Rs.12.53 per unit aggregating to Rs.54,330,000]</i> <i>[Previous year 3,971,325.90 units at Rs.11.715 per unit]</i>	51,022,892	46,522,892
HDFC LIQUID FUND-GROWTH PLAN 359,011.013 units at Rs.11.2673 per unit <i>[Market Value Rs.12.03 per unit aggregating to Rs.4,318,902]</i> <i>[Previous year 359,011.01 units at Rs.11.267 per unit]</i>	4,045,084	4,045,086
PIONEER ITI MUTUAL FUND - GROWTH PLAN <i>[Previous year 8,891.29 units at Rs.1405.87 per unit]</i>	-	12,500,000
J M HIGH LIQUIDITY FUND 1,500,894.41 units at Rs.16.32 per unit <i>[Market Value Rs.16.76 per unit aggregating to Rs.25,154,990]</i> <i>[Previous year Nil]</i>	24,500,000	-
DSP MERRILL LYNCH MUTUAL FUND 625,290.93 units at Rs.14.39 per unit <i>[Market Value Rs.14.72 per unit aggregating to Rs.9,204,282]</i> <i>[Previous year Nil]</i>	9,000,000	-
RELIANCE LIQUID FUND 243,994.26 units at Rs.14.34 per unit <i>[Market Value Rs.14.67 per unit aggregating to Rs.3,579,396]</i> <i>[Previous year Nil]</i>	3,500,000	-
KOTAK MAHINDRA LIQUID FUND 827,177.75 units at Rs.12.09 per unit <i>[Market Value Rs.12.09 per unit aggregating to Rs.10,000,000]</i> <i>[Previous year Nil]</i>	<u>10,000,000</u>	<u>-</u>
	124,135,856	85,117,057
	<u>217,724,021</u>	<u>178,505,807</u>
SCHEDULE 7 : DEFERRED TAX ASSET		
Share of Joint Venture	76,908	56,081
Others	<u>111,368,427</u>	<u>131,019,184</u>
	<u>111,445,335</u>	<u>131,075,265</u>

SONATA SOFTWARE LIMITED - CONSOLIDATED FINANCIAL STATEMENT

Schedules (Contd.)

(Rs.)

	AS AT 31.03.2003	AS AT 31.03.2002
SCHEDULE 8 : INVENTORIES		
In process -Share of Joint Venture	14,113,991	14,668,331
Others	<u>40,022,524</u>	<u>46,011,274</u>
	54,136,515	60,679,605
Finished Products	<u>53,085,915</u>	<u>55,396,729</u>
	<u>107,222,430</u>	<u>116,076,334</u>
SCHEDULE 9 : SUNDRY DEBTORS		
Unsecured		
Debts outstanding for a period exceeding six months		
Considered Good	85,962,772	64,382,415
Considered Doubtful	<u>3,172,314</u>	<u>6,392,452</u>
	89,135,086	70,774,867
Other debts : Considered Good-Share of Joint Venture	-	-
Others	<u>484,488,904</u>	<u>455,658,164</u>
	484,488,904	455,658,164
Less : Provision for Doubtful Debts	<u>3,172,314</u>	<u>6,392,452</u>
	<u>570,451,676</u>	<u>520,040,579</u>
SCHEDULE 10 : CASH AND BANK BALANCES		
Cash and Cheques on hand	297,364	115,310
Balances with Scheduled Banks :		
In Current Accounts	62,870,057	50,724,549
In Deposit Accounts	87,689,862	47,883,080
In Unclaimed Dividend Account	1,752,264	1,209,114
Balances with other banks in current account :		
Bank of America, New York, USA	4,904,125	11,136,750
<i>[Maximum balance held during the year Rs.11,136,750; previous year Rs.13,920,050]</i>		
PNC Bank N A, New Jersey, USA	6,724	329,420
<i>[Maximum balance held during the year Rs.6,276,308; previous year Rs.6,081,764]</i>		
Barclays Bank, London, UK	-	4,843,522
<i>[Maximum balance held during the year Rs.13,752,297; previous year Rs.33,318,592]</i>		
Hong Kong and Shanghai Banking Corporation, London, UK	11,101,645	-
<i>[Maximum balance held during the year Rs.29,681,121; previous year Rs.Nil]</i>		
Hong Kong and Shanghai Banking Corporation, London, UK-Imprest A/c	504,637	-
<i>[Maximum balance held during the year Rs.23,234,872; previous year Rs.Nil]</i>		
Banque Nat.De Paris Intercont - Share of Joint Venture	2,255,195	2,614,270
<i>[Maximum balance held during the year Rs. 3,263,757; previous year Rs.20,505,372]</i>		
Bank of America, San Leandro, USA	3,246,063	979,008
<i>[Maximum balance held during the year Rs. 35,833,877; previous year Rs.248,992,332]</i>		
Balances with other banks in Deposit Account:		
PNC Bank N A, New Jersey, USA	492,628	487,900
Bank of America, New York, USA	<u>490,241</u>	<u>-</u>
	<u>175,610,805</u>	<u>120,322,923</u>

SONATA SOFTWARE LIMITED - CONSOLIDATED FINANCIAL STATEMENT

Schedules (Contd.)

	AS AT 31.03.2003	AS AT 31.03.2002
(Rs.)		
SCHEDULE 11: OTHER CURRENT ASSETS		
Income Accrued but not due	<u>230,330,121</u>	<u>197,895,589</u>
SCHEDULE 12 : LOANS AND ADVANCES		
Unsecured		
(Considered good, unless otherwise stated)		
Advances / Loans to Employees	7,519,308	10,065,042
Advances recoverable in cash or in kind or for value to be received		
Considered Good	41,478,416	59,359,633
Advance payment of tax (net of provisions)	<u>112,567,196</u>	<u>115,347,032</u>
	<u>161,564,920</u>	<u>184,771,707</u>
SCHEDULE 13 : CURRENT LIABILITIES		
Sundry Creditors		
Due to SSI	-	-
Share of Joint Venture	246,649	173,447
Others	<u>225,520,388</u>	<u>248,964,716</u>
	225,767,037	249,138,163
Other Liabilities - Share of Joint Venture	-	-
Others	<u>132,607,239</u>	<u>141,853,907</u>
	132,607,239	141,853,907
Investor Education and Protection Fund	1,760,073	1,209,114
Interest Accrued but not due-Share of Joint Venture	-	-
Others	<u>171,476</u>	<u>241,066</u>
	171,476	241,066
	<u>360,305,825</u>	<u>392,442,250</u>
SCHEDULE 14 : PROVISIONS		
Dividend	31,547,792	15,773,896
Dividend Tax	4,042,061	-
	<u>35,589,853</u>	<u>15,773,896</u>

SONATA SOFTWARE LIMITED - CONSOLIDATED FINANCIAL STATEMENT

Schedules (Contd.)

(Rs.)

	YEAR ENDED 31.03.2003	YEAR ENDED 31.03.2002
SCHEDULE 15 : SALES AND SERVICES		
Sales	1,569,024,370	1,237,882,726
Services - Share of Joint Venture	-	66,198,900
Others	994,064,716	943,339,874
	<u>994,064,716</u>	<u>1,009,538,774</u>
	2,563,089,086	2,247,421,500
SCHEDULE 16 : OTHER INCOME		
Interest received - Gross	5,150,972	3,743,840
<i>[TDS Deducted Rs.758,981; previous year Rs.682,547]</i>		
Excess Provisions no longer required	4,260,170	4,032,790
Sundry balances written back	2,080,443	1,898,974
Profit on sale of Investments (Net)	326,221	4,804,506
Profit on sale of Fixed Assets (Net)	-	164,365
Dividend Received	-	10,192,175
Royalty Received - Share of Joint Venture	-	1,143,347
Miscellaneous Income	3,430,885	1,935,228
	<u>15,248,691</u>	<u>27,915,225</u>
SCHEDULE 17 : OPERATING AND OTHER EXPENSES		
Salaries, Wages, Bonus and Allowances (Including Directors remuneration)	466,226,888	536,399,703
Contribution to Provident Fund and other Funds	25,738,779	38,104,643
Staff Welfare Expenses	2,547,888	5,396,743
	<u>494,513,555</u>	<u>579,901,089</u>
Power and Fuel	10,510,194	12,661,336
Rent	22,105,209	20,384,891
Rates & Taxes	4,851,886	5,878,598
Insurance	22,137,966	22,602,163
Repairs to :		
Plant and Machinery	1,879,240	1,337,084
Others	9,962,660	11,590,238
Travelling & Conveyance Expenses	63,743,860	70,074,493
Subsistence/Living Cost	86,615,603	44,230,719
Legal, Prof & Technical Fees - Share of Joint Venture	119,995	3,306,398
Others	101,845,658	42,846,335
	<u>101,965,653</u>	<u>46,152,733</u>
Communication Cost - Share of Joint Venture	11,640	5,145
Others	18,025,739	23,110,990
	<u>18,037,379</u>	<u>23,116,135</u>
Auditors Remuneration :		
Audit Fees - Share of Joint Venture	189,318	163,865
Others	900,000	900,000
	<u>1,089,318</u>	<u>1,063,865</u>
Taxation Matters	676,200	1,187,750
Management Services	480,000	1,016,350
Out of pocket expenses	222,969	229,270
	<u>2,468,487</u>	<u>3,497,235</u>
Royalty	7,928,523	5,149,349
Commission on Sales	4,391,156	2,076,508
Miscellaneous Expenses - Share of Joint Venture	44,274	79,829
Others	24,642,810	31,978,320
	<u>24,687,084</u>	<u>32,058,149</u>
Foreign exchange variation - Share of Joint Venture	623,379	(1,211,627)
Others	4,053,354	6,779,371
	<u>4,676,733</u>	<u>5,567,744</u>
Loss on sale of Fixed Assets (Net)	120,907	-
Loss on fixed assets discarded	-	421,605
	<u>880,596,095</u>	<u>886,700,069</u>

SONATA SOFTWARE LIMITED - CONSOLIDATED FINANCIAL STATEMENT

Schedules (Contd.)

	(Rs.)	
	YEAR ENDED 31.03.2003	YEAR ENDED 31.03.2002
SCHEDULE 18 : PURCHASE OF TRADED ITEMS		
Share of Joint Venture	-	54,927,227
Others	1,418,794,074	1,072,518,013
	1,418,794,074	1,127,445,240
SCHEDULE 19 : INTEREST		
Interest on Fixed Loans	-	5,237,615
Other Interest - Share of Joint Venture	-	276,164
Others	1,210,869	2,217,004
	1,210,869	2,493,168
	1,210,869	7,730,783
SCHEDULE 20: (INCREASE)/DECREASE IN STOCKS		
Opening Stock :		
In process - Share of Joint Venture	14,668,331	20,115,111
Others	46,011,274	21,941,693
	60,679,605	42,056,804
Finished Products	55,396,729	47,957,617
	116,076,334	90,014,421
Closing Stock :		
In process - Share of Joint Venture	14,113,991	14,668,331
Others	40,022,524	46,011,274
	54,136,515	60,679,605
Finished Products	53,085,915	55,396,729
	107,222,430	116,076,334
(Increase)/ Decrease in Stocks	8,853,904	(26,061,913)

Schedule 21: Notes to Consolidated Financial Statements**Over view**

Sonata Software limited (SSL), together with its subsidiaries Sonata Information Technology Limited (SITL), Offshore Digital Services Incorporated (ODSi) and its Joint venture Abisko Development limited (Abisko), (collectively, the Company) is a provider of IT service globally. Further, the Company has an established product line business in India, which mainly deals with computer software products of World leaders like Microsoft, Sco, Lotus, Oracle and Computer Associates. The Company is headquartered in Bangalore.

Description of business:

SSL is founded to provide Information Technology (IT) solutions, IT consulting, Development services globally, enhancing competitive advantage of its customers. The Company also provides both on-site as well as offshore services in the area of Internet, ERP customization conversion and migration projects, data warehousing, e-commerce and web-based solutions amongst others.

SITL is a company registered in India and a wholly owned subsidiary of SSL which distributes and implements packaged software from world leaders like Microsoft, Oracle, Lotus, SCO, IBM and Computer Associates. SITL has consistently built alliances and partnerships with leaders in packaged software products.

SITL has a strategic alliance/tie-up with Scala ECE (Overseas) Limited, whereby it becomes the exclusive marketing and implementation partner for Scala -ERP Products in India, Nepal, Sri Lanka and Bangladesh. The IT Consulting Group focuses consulting in the area of GroupWare, Data warehousing and e-commerce applications and expects to leverage its existing alliances and use its Core Research Group to assimilate new technologies.

ODSi is a subsidiary of SSL incorporated in USA, based in San Leandro, California. SSL holds 95% of the common stock of ODSi. ODSi provides computer-programming services to companies throughout the United States.

Abisko, a Joint venture of SSL and Scala ECE Limited, incorporated in Cyprus. SSL holds 80.10 % of the equity capital in Abisko. The principal activity of the Company is to develop computer software products.

Basis of preparing the financial statements:

The accompanying financial statements for the fiscal period begins on 1st April 2002 and ends on 31st March, 2003 have been prepared incorporating Accounting Policies of the parent company under the historical cost convention, in compliance with Indian Generally Accepted Accounting Practices ("GAAP") comprises with mandatory and relevant Accounting standards (AS) issued by the Institute of Chartered Accountants of India ("ICAI") and in compliance with the provisions of Companies Act, 1956.

With the applicability of New mandatory Accounting Standard (AS-27) by ICAI effective 1st April 2002, the financial statements for the current year are prepared in line with this standard by giving effect to the Joint Venture (Abisko) entered into with Scala ECE (Overseas) Limited and the previous year's figures are re-classified accordingly, for facilitating comparison.

Use of Estimates:

The consolidated financial statements include the accounts of the company and its subsidiary companies and Joint Venture. The preparation of consolidated financial statements requires management to make estimate and assumptions that affect the reported amounts of assets and liabilities, revenues and expenditures and disclosure of contingent liabilities. Although these estimates are based on the management's best knowledge of current events and the actions the company may undertake in future, actual result ultimately may differ from the estimates.

Reinstatement of Financial Statements:

Transactions arising in foreign currency are reported at rates closely approximating those ruling during the relevant transaction dates. All monetary assets and liabilities in foreign currency as at the date of the financial statements are restated at the exchange rate prevalent at the Balance Sheet date.

The reporting currency of the company and its Indian subsidiary is the Indian rupee. The reporting currency of the Company's foreign subsidiaries is US Dollars. The Revenue items of the foreign subsidiaries are translated to Indian rupees using the simple average of the monthly closing rates. Non-monetary items in the Balance Sheet of foreign subsidiaries are translated at the rates closely approximating those ruling during the relevant transaction dates.

Revenue from Services

Income from Services includes gain on account of exchange fluctuation of Rs.1,574,544/- and Rs.20,664,434/- for the current year ended 31st March, 2003 and previous year ended 31st March, 2002 respectively.

Goodwill:

Goodwill resulting from acquiring the control of its subsidiary is amortized over a period of five years commencing from 1st April 2002.

Income Tax:

Provision for Taxation for the year ended 31st March, 2003 consists of following:

(Rs.)

Current taxes:	
Domestic	21,759,912 (10,500,000)
Foreign	729,857 (296,738)
Deferred Taxes:	
Domestic	10,719,621 (55,928)
Foreign (net)	10,686,764 (2,257,389)
Provision for wealth tax	82,300 (62,100)
Total	43,978,454 (13,172,155)

Deferred Income Tax:

DTA includes foreign exchange loss of Rs.20,69,922/- for the current year ended 31st March, 2003 and foreign exchange gain of Rs.3,212,800/- for the previous year ended 31.03.02. An amount of Rs.21,406,385/- and Rs.2,306,263/- was utilized from Deferred Tax Asset for the current year ended 31st March, 2003 and previous year ended 31st March, 2002 respectively.

Significant Components of the company's deferred tax asset (liability) are as follows:

(Rs.)

	DTA	DTL	Net DTA/DTL
Carry Forward Loss	111,445,335 (131,045,910)	- (-)	111,445,335 (131,045,910)
MAT Credit	- (7,552,449)	- (-)	- (7,552,449)
Others	1,236,938 (3,137,176)	6,367,768 (11,294,030)	-5,130,830 (-8,156,854)
Total	112,682,273 (141,735,535)	6,367,768 (11,294,030)	106,314,505 (130,441,505)

Contingent Liabilities:

(Rs.)

		As on 31.03.03
1	Estimated amount of contracts remaining to be executed on capital account and not provided for as on 31 st March,2003 (net of advances)	809,926 (76,500)
2	Contingent Liabilities not provided for:	
a)	Contingent Liabilities for Income Tax of Rs. 54,402,948/-(Rs. 142,217,238) in respect of Assessment years 1995-96 to 1997-98 in respect of which the Company has gone in appeals. Based on judicial pronouncements, the Company's claim is likely to be accepted by the Appellate Authorities. However as a matter of prudence, the company has so far paid Rs. 50,852,434/- (Rs.140,664,454/-) against these liabilities	
b)	Contingent liability for ESI of Rs. 1,80,097/- (Rs. 1,80,097/-) for which company has gone on appeal and stay has been granted by the ESI court. However, as a matter of prudence the Company has paid Rs. 90,049/- (Rs. 90,049/-) against the aforesaid amount.	
3	Claims against the Company not acknowledged as debts	250,373,246 (7,160,461)

2. Segment Reporting

The company's operation comprises of software development, technical services and product marketing. Primary segmental reporting comprises of products and services segment. Secondary segment is reported based on geographical location of customers.

In primary segment, revenue and direct expenses, which relate to a particular segment and which are identifiable, are reported, while the allocable indirect expenses are allocated based on turnover relating to each segment. Certain expenses, which are not allocable to any specific segment, are separately disclosed at the enterprise level.

Fixed Assets used in the company's business have not been identified to any specific business segment as they are used interchangeably between segments. Further cash and bank balances are reported at the enterprise level. Current assets and current liabilities relating to the specific business segments are identified and reported. Those, which are not identifiable, are reported as common assets/liabilities.

Secondary segment is reported based on the geographical location, viz., USA, Europe and Rest of the world.

Revenues in the secondary segment are identified based on the location of the customers.

Fixed assets are identified based on the place at which assets are located. Current assets, other than debtors, are identified based on the country to which they relate. Sundry debtors have been identified based on the location of the respective customers. Capital expenditure relates to fixed assets purchased during the year. They are identified to the country in which they are located.

Primary Reporting Requirement – Profit and Loss Account

(Rs.)

	Products	Services	Total
Revenue	1,569,024,370 (1,237,882,726)	994,064,716 (1,009,538,774)	2,563,089,086 (2,247,421,500)
Direct and allocated Segment Cost *	1,550,770,651 (1,188,805,637)	770,955,556 (824,411,998)	2,321,726,207 (2,013,217,635)
Inter - Segment Cost	-230,945 (31,743,912)	230,945 (-31,743,912)	- -
Total Cost	1,550,539,706 (1,220,549,549)	771,186,501 (792,668,086)	2,321,726,207 (2,013,217,635)
Operating Profit	18,484,664 (17,333,177)	222,878,215 (216,870,688)	241,362,879 (234,203,865)
Other Income			15,248,691 (27,915,225)
Profit Before Interest, Depreciation and Tax			256,611,570 (262,119,090)
Depreciation			58,886,057 (32,320,927)
Profit Before Interest and Tax			197,725,513 (229,798,163)
Interest			1,210,869 (7,730,783)
Profit Before Tax			196,514,644 (222,067,380)
Tax			43,978,454 (13,172,155)
Profit After Tax			152,536,190 (208,895,225)

* Includes non-cash expenses relating to the services business segment of Rs. 1,105,201(Rs.3,438,581)

SONATA SOFTWARE LIMITED - CONSOLIDATED FINANCIAL STATEMENT

Schedules (Contd.)

Primary Reporting Requirement – Assets and Liabilities

(Rs.)

	Products	Services	Common	Total
Fixed Assets				
Gross Block	-	-	441,023,224	441,023,224
	(-)	(-)	(426,902,845)	(426,902,845)
Less: Depreciation	-	-	206,613,507	206,613,507
	(-)	(-)	(150,442,463)	(150,442,463)
Net Block	-	-	234,409,717	234,409,717
	-	-	(276,460,382)	(276,460,382)
Capital WIP	-	-	61,724	61,724
	(-)	(-)	(81,090)	(81,090)
	-	-	234,471,441	234,471,441
	(-)	(-)	(276,541,472)	(276,541,472)
Current Assets, Loans and Advances				
Inventories	93,108,439	14,113,991	-	107,222,430
	(50,053,095)	(66,023,239)	(-)	(116,076,334)
Sundry Debtors	319,556,286	250,895,390	-	570,451,676
	(323,298,798)	(196,741,781)	(-)	(520,040,579)
Cash and Bank Balances	-	-	175,610,805	175,610,805
	(-)	(-)	(120,322,923)	(120,322,923)
Other Current Assets	-	230,330,121	-	230,330,121
	(-)	(197,895,589)	(-)	(197,895,589)
Loans and Advances	2,247,125	19,673,459	139,644,336	161,564,920
	(28,129,143)	(13,540,660)	(143,101,903)	(184,771,707)
	414,911,850	515,012,961	315,255,141	1,245,179,952
	(401,481,035)	(474,201,270)	(263,424,826)	(1,139,107,132)
Less: Current Liabilities	298,343,457	38,562,251	23,400,117	360,305,825
	(326,671,761)	(34,589,518)	(31,180,971)	(392,442,250)
Provisions	-	-	35,589,853	35,589,853
	(-)	(-)	(15,773,896)	(15,773,896)
Net Current Assets	116,568,393	476,450,710	256,265,171	849,284,274
	(74,809,275)	(439,611,752)	(216,469,959)	(730,890,986)
Deferred Tax Asset (Net)	-	-	106,314,505	106,314,505
	(-)	(-)	(131,075,265)	(131,075,265)

Secondary Reporting Requirement – Geographical Distribution

	USA	Europe	Rest of World	Total
Revenue	547,994,003 (593,487,423)	366,941,455 (369,981,010)	1,648,153,628 (1,283,953,067)	2,563,089,086 (2,247,421,500)
Fixed Assets				
Gross Block	169,759,395 (169,312,302)	3,573,781 (1,080,817)	267,690,048 (256,509,726)	441,023,224 (426,902,845)
Less: Accumulated Depreciation	40,953,292 (7,794,629)	1,097,588 (764,403)	164,562,627 (141,883,432)	206,613,507 (150,442,464)
Net Block	128,806,103 (161,517,673)	2,476,192 (316,414)	103,127,422 (114,626,294)	234,409,717 (276,460,381)
Capital WIP	- (-)	- (-)	61,724 (81,090)	61,724 (81,090)
Current Assets				
Inventories	19,781,193 (-)	- (14,668,332)	87,441,237 (101,408,002)	107,222,430 (116,076,334)
Sundry Debtors	135,063,633 (117,684,258)	98,341,681 (63,391,167)	337,046,362 (338,965,154)	570,451,676 (520,040,579)
Cash and Bank Balances	6,025,513 (12,969,671)	- (7,457,792)	169,585,292 (99,895,460)	175,610,805 (120,322,923)
Other Current Assets	83,567,256 (42,016,770)	139,398,753 (148,321,134)	7,364,112 (7,557,685)	230,330,121 (197,895,589)
Loans and Advances	6,561,345 (4,103,590)	267,783 (252,855)	154,735,792 (180,415,531)	161,564,920 (184,771,707)
Deferred Tax Assets (Net)	103,781,689 (116,798,556)	7,663,646 (8,354,099)	(5,130,830) (5,288,850)	106,314,505 (130,441,505)
Capital expenditure	447,092 (160,643,657)	2,492,963 (378,655)	15,259,938 (9,314,254)	18,199,993 (170,336,566)

3. Related Party Transaction

(The list of related parties and nature of their relationship is disclosed in the annexure.)

The transactions with related parties are furnished below:

Loans are provided at subsidised rate of interest of 3% per annum for acquiring property and vehicles. Such loans are repayable over fixed period ranging from 12-180 months. All the loans are generally secured by the assets acquired by the employees. The following are the loans due from Key Managerial Persons of the Company as at 31st March, 2003:

(Rs.)

Name	Amount due on account of Loan
B Ramaswamy	3,286,072 (3,514,525)
P Srikar Reddy	- (555,906)

Remuneration of Directors & Key managerial Persons :

(Rs.)

Name	Salaries *	Commission provided during the year	Total
B Ramaswamy	2,315,802 (2,523,181)	2,021,752 (1,962,008)	4,337,554 (4,485,189)
P Srikar Reddy	2,182,619 (2,206,951)	1,010,876 (981,004)	3,193,495 (3,187,955)
M D Dalal		667,178 (647,462)	667,178 (647,462)
S B Ghia		603,294 (654,003)	603,294 (654,003)
Rajan B Raheja		603,294 (654,003)	603,294 (654,003)
Pradip P Shah		603,294 (654,002)	603,294 (654,002)
S N Talwar		211,870 (-)	211,870 (-)

* Salaries include taxable value of perquisites.

Other Related Parties:

Scala ECE (Overseas) Ltd. (Scala), a Company incorporated in Cyprus, which is a business partner of SSL (holding company) in a Joint Venture, named Abisko. SITL has an agreement with Scala for distributing and implementing ERP software package of Scala in India, Nepal, Sri Lanka and Bangladesh and pays royalty on the sale of such software packages and for the Annual maintenance services rendered by the Company. The following are the transactions and balances included in the financial statement of the Company as at 31st March, 2003.

Amounts Receivable

(Rs.)

Name	Opening Balance as on 01.04.02	Sales (net) during the year	Receipts during the year	Foreign Exchange variation	Closing Balance as on 31.03.03
Scala Finland	310,695 (302,097)	- (-)	309,039 (-)	-1,656 (8,598)	- (310,695)
Scala-ECE (Overseas) Limited	21,383,913 (14,379,167)	10,158,297 (10,060,184)	31,139,240 (3,567,915)	-2,744 (512,477)	400,226 (21,383,913)
Scala North America	523,517 (509,031)	- (-)	518,727 (-)	-4,790 (14,486)	- (523,517)
Scala Belgium	401,542 (390,431)	- (-)	389,101 (-)	-12,441 (11,111)	- (401,542)
Scala France	331,772 (322,592)	- (-)	330,004 (-)	-1,768 (9,180)	- (331,772)
Scala Germany	731,850 (711,600)	- (-)	727,950 (-)	-3,900 (20,250)	- (731,850)
Scala Business Solution Pte Limited	- (122,787)	- (-)	- (-)	- (122,787)	- (-)

Amount Payable

(Rs.)

Name	Opening Balance as on 01.04.02	Transaction during the period	Closing Balance as on 31.03.03
Scala ECE (Overseas) Limited	12,610,641 (9,360,377)	11,571,920 (3,250,264)	1,038,721 (12,610,641)

4. Leases

Operating Leases:

The Company has various operating leases for office facilities, guest houses and residential premises for employees that are renewable on a periodic basis, and cancelable at its option. Rental expenses for operating leases included in the Income statements for the year is Rs.21,794,711/- (Rs.19,829,674/-).

As of 31st March, 2003 future minimum lease payments for non-cancelable operating leases for the next five fiscal years are provided below:

(Rs.)

For the year ending	
31.03.2004	14,490,690 (11,534,225)
31.03.2005	7,624,827 (5,286,440)
31.03.2006	4,628,497 (3,962,429)
31.03.2007	-
31.03.2008	-

Previous year's figures are shown in brackets and have been regrouped, wherever necessary to conform to current year's classification.

As per our Report annexed

For N M RAIJI & Co.
Chartered Accountants

Y N THAKKAR
Partner

For and on behalf of the Board

S B GHIA
Chairman

RAJAN B RAHEJA
Director

P SRIKAR REDDY
Sr. Vice President &
Director

M D DALAL
Executive Vice Chairman

PRADIP P SHAH
Director

THOMAS K JOSEPH
Sr. Vice President &
Chief Financial Officer

B RAMASWAMY
Managing Director & President

S N TALWAR
Director

N EBENEZER DEVASAHAYAM
Associate Vice President - Finance
& Company Secretary

Mumbai, 17th April, 2003

SONATA SOFTWARE LIMITED - CONSOLIDATED FINANCIAL STATEMENT

LIST OF RELATED PARTIES & NATURE OF RELATIONSHIP

Annexure

List of related parties		Nature of Relationship
S.B.Ghia, Chairman	Bhupati Investments & Finance Pvt. Ltd (BIFL)	Significant Influence (through VIL); Spouse, Mrs.R.S.Ghia and Mrs.V.D.Ghia are Directors
	Chika Pvt Limited	Brother Mr.D.B.Ghia is CMD, Son Mr.N.S.Ghia and self are Directors
	Viraj Investments Pvt. Ltd (VIL)	Self & Spouse, Brother and Brother's wife are Directors
M.D.Dalal, Executive Vice Chairman	Daltreya Investment & Finance P Ltd	Spouse, Mother & Sister are Directors
Rajan B Raheja, Director	Suman R Raheja	Wife
	Akshay R Raheja	Son
	Master Viren R Raheja	Son
	Excelsior Construction Private Ltd	100% shareholding by Mr.Rajan B Raheja & his family
	Gstaad Investments & Finance Pvt Ltd	100% shareholding by Mr.Rajan B Raheja & his family
	Trophy Investments & Finance Pvt Ltd	100% shareholding by Mr.Rajan B Raheja & his family
B Ramaswamy, President & Managing Director	Sonata Information Technology Ltd	Director
P Srikar Reddy, Sr. Vice President & Director	Sonata Information Technology Ltd	Director
	Abisko Development Ltd, Cyprus	Director
Subsidiaries	Sonata Information Technology Ltd Abisko Development Ltd, Cyprus Offshore Digital Services Inc., USA	Wholly owned subsidiary of Sonata Subsidiary of Sonata Subsidiary of Sonata
Joint Venture/Associates	Scala ECE (Overseas) Limited	Joint Venture Partner of Sonata for incorporating Abisko Development Ltd, Cyprus

Note : Above disclosures have been made by the Directors pursuant to the legal opinion from M/s Kanga & Co, Solicitors.

SONATA SOFTWARE LIMITED - CONSOLIDATED FINANCIAL STATEMENT

CONSOLIDATED CASH FLOW STATEMENT

	YEAR ENDED 31.03.2003	(Rs.) YEAR ENDED 31.03.2003
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit before Tax & extraordinary items	196,514,644	
Adjustments for:		
Depreciation	58,886,057	
Interest paid	1,210,869	
Interest Received	(5,150,972)	
Provision for doubtful debts	1,105,201	
Sundry Balances Written back	(2,080,443)	
Bad Debts	12,376,933	
Provision no longer required	(4,260,170)	
(Profit)/Loss on sale of Investments	(326,221)	
(Profit)/Loss on sale of Fixed Assets	120,907	
Dividend received	(1,305,568)	
Operating Profit before working capital changes	257,091,237	
Adjustments for:		
Dec./(Inc.) in Sundry Debtors	(59,633,061)	
Dec./(Inc.) in Inventories	8,853,904	
Dec./(Inc.) in Other current assets	(32,434,532)	
Dec./(Inc.) in Loans and Advances	(11,221,672)	
Dec./(Inc.) in Deferred Tax Asset	19,629,930	
(Dec.)/Inc. in Deferred Tax Liability	4,497,070	
(Dec.)/Inc. in Current Liab. & Provn.	(30,055,982)	
Cash generated from operations:	156,726,894	
Interest paid	(1,210,869)	
Direct taxes /Advance tax paid	(9,550,000)	
Net Cash from Operating Activities(A)	145,966,025	
B. CASH FLOW FROM INVESTING ACTIVITIES		
Dividend received		1,305,568
Interest Received		5,150,972
Purchase of Fixed Assets		(18,118,903)
Sale of Fixed Assets		1,181,970
Purchase of Investments		(282,471,946)
Sale of Investments		243,579,953
Net Cash used in Investing Activities (B)		(49,372,386)
C. CASH FLOW FROM FINANCING ACTIVITIES		
Repayment of loans		(4,500,000)
Dividends / Dividend Taxes Paid		(36,805,757)
Net cash from Financing Activities(C)		(41,305,757)
Net inc./ (dec.) in Cash & Cash Equivalents	(A+B+C)	55,287,882
Opening Cash & Cash Equivalents		120,322,923
Closing Cash & Cash Equivalents		175,610,805
Notes:		
1. Cash and Cash equivalents		
		Cash & Cash equivalents consists of cash on hand and balances with banks. Cash & cash equivalents included in the cash flow statement comprise of the following balance sheet amounts
		Cash on hand & balance with banks 175,750,247
		Short Term Investments -
		Cash & Cash Equivalents 175,750,247
		Effect of exchange rate change (139,442)
		Cash & Cash Equivalents as restated 175,610,805
2. Direct Tax/Advance tax paid during the year ended 31.03.2003 amounted to Rs.95.50 lacs.		

As per our Report annexed

For **N M RAIJI & Co.**
Chartered Accountants

Y N THAKKAR
Partner

For and on behalf of the Board

S B GHIA
Chairman

M D DALAL
Executive Vice Chairman

B RAMASWAMY
Managing Director & President

RAJAN B RAHEJA
Director

PRADIP P SHAH
Director

S N TALWAR
Director

P SRIKAR REDDY
Sr. Vice President & Director

THOMAS K JOSEPH
Sr. Vice President & Chief Financial Officer

N EBENEZER DEVASAHAYAM
Associate Vice President - Finance & Company Secretary

Mumbai, 17th April, 2003

SONATA INFORMATION TECHNOLOGY LIMITED

DIRECTORS' REPORT

TO THE MEMBERS OF SONATA INFORMATION
TECHNOLOGY LIMITED

Your Directors have pleasure in presenting the Third Annual Report of your Company along with the audited Statement of Accounts for the year ended 31st March, 2003.

FINANCIAL HIGHLIGHTS

(Rs. in millions)

	Year ended 31.03.2003	Year ended 31.03.2002
1. Total Income	1645.94	1287.77
2. Total Expenditure	1622.86	1270.22
3. Profit before Interest & Depreciation	23.08	17.55
4. Interest	1.21	2.22
5. Depreciation	2.56	2.56
6. Profit after Interest & Depreciation but before tax	19.31	12.77
7. Provision for Taxation	7.09	4.56
8. Profit After Taxation	12.22	8.21
9. Appropriations : Balance Carried forward	12.22	8.21

DIVIDEND

Your Directors do not recommend any dividend for the financial year ended 31st March, 2003.

BUSINESS REVIEW

Products

Your Company's business has grown at a rate of 26% from last year in spite of a very challenging year for the software packaged market in India . Your company has been the leading distributor in most of the business lines which it handles and has been well positioned in the Indian market as a strong value added distributor.

Your company's strategy for this current financial year is to add business lines which will address high end product markets and the focus continues to be on the value added distribution and services offering with higher realisations.

Business Solutions Group

ERP and CRM turned corners last year after a challenging year. Our strategy to broad base our ERP offerings in the SMB and enterprise segments has established us as a key player in the enterprise resource planning segment with skills and track record in multiple ERP products. Our installed base today places us among the top ERP players in the SMB segment. We also made significant breakthroughs in the fledgling CRM market and are now well poised to exploit the opportunity as more organizations are seriously evaluating CRM as the next enterprise application to invest in.

IT Consulting

We continued to build on our relationships in the enterprise segment by broad basing our service offerings to meet critical operational IT needs of clients. IT services outsourcing continues to be challenging but our strategy of focusing on specific verticals has paid dividends. We are now investing in building specific skills on vertical enterprise applications to further strengthen our offerings in the verticals.

QUALITY

During the year under review, your company has implemented a few process improvement initiatives in the area of customer order processing and faster resolutions to customer calls. This has resulted in achieving better customer satisfaction levels during the year. As part of the ongoing quality enhancement endeavor, the company has identified areas for further improvement and these will be implemented shortly.

DIRECTORS' RESPONSIBILITY STATEMENT

Your Directors, to the best of their knowledge and belief, state that the Company maintains proper accounting records which disclose with reasonable accuracy, the financial position of the Company.

Further, your Directors state that these accounting records have formed the basis in the preparation of financial statements of the Company in compliance with the provisions of the Companies Act, 1956, including any amendments thereto.

Your Directors also confirm compliance that the financial statements of the Company are prepared in such manner to give a true and fair view of the state of affairs of the Company as at the end of 31st March, 2003 and of the profit of the Company for the year to that date.

Your Directors state that in preparing the aforesaid financial statements of the Company, appropriate accounting policies have been consistently applied and supported by reasonable and prudent judgements and estimates, whilst applicable accounting standards have been followed and that these financial statements have been prepared on going-concern basis.

Further, your Directors to the best of their knowledge and belief, state that appropriate internal control systems are in place which are reasonably expected to safeguard the assets of the Company and to prevent and detect fraud and irregularities.

ENERGY, TECHNOLOGY, FOREIGN EXCHANGE

Your Company not being a manufacturing Company, the particulars required under Section 217(1)(e) of the Companies Act, 1956 read with Rule 2 of the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are not applicable.

Foreign Exchange outgo on account of Imports, Travelling, Royalty, etc was Rs.1016.50 Mn and foreign exchange inflow on account of software exports was Rs.101.68 Mn.

PUBLIC DEPOSITS

The Company has not accepted any fresh deposit during the year under review. There are no deposits which have matured for repayment and lying unclaimed as on 31st March, 2003.

PERSONNEL

During the year under review, the Company had no employees of the category specified under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended.

DIRECTORS

Mr.P.Srikar Reddy and Mr.Thomas K Joseph, Directors, retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment.

AUDITORS

The Company has received certificate u/s 224(1B) of the Companies Act, 1956 from M/s N.M.Raiji & Co., Chartered Accountants, Mumbai, the retiring auditors signifying their eligibility for re-appointment. Accordingly, the members may re-appoint M/s N.M.Raiji & Co., as Statutory Auditors of the Company for financial year 2003-04.

ACKNOWLEDGEMENTS

Your Directors place on record their appreciation for the continued co-operation from all the customers, Business Partners, Company's bankers, financial institutions, business associates and Government Authorities. Your Directors also record their appreciation for the sincere and dedicated efforts of all Sonatians for their contribution towards the all-round growth and prosperity of the Company.

For and on behalf of the Board

B RAMASWAMY

DIRECTOR

Bangalore, 15th April, 2003

Board of Directors :

B Ramaswamy : Director
P Srikar Reddy : Director
Thomas K Joseph : Director
K S Mayurnath : Director
Sujit Mohanty : Director

Audit Committee

P Srikar Reddy : Company Secretary
Thomas K Joseph : N M Raiji & Co., : Auditors
Sujit Mohanty

SONATA INFORMATION TECHNOLOGY LIMITED

MANAGEMENT REVIEW

1. Revenues

a) Products Business:

Products Business Group constituted 93.99% of the turnover of Indian Operations. There has been an increase of 26.05% in the performance during the year ended 31st March 2003 as compared to the same period in the last year.

b) Business Solutions:

Business Solutions Group constituted 4.00% of the turnover of Indian Operations. There has been an increase of 105% in the performance during the year ended 31st March 2003 as compared to the same period in the last year.

c) IT Consulting:

The IT Consulting Group constituted 2.01% of the turnover of Indian Operations. There has been an increase of 16.40% in the performance during the year ended 31st March 2003 as compared to the same period in the last year.

2. Operating Expenses

The operating expenses increased by 4.79% to Rs.191.74 million for the year ended 31st March 2003 from Rs.182.97 million for the same period last year.

3. EBIDT

The operating margin increased by 31.51% at Rs.23.08 million for the year ended 31st March 2003 as compared to Rs.17.55 million for the same period last year.

4. Profit After Tax

Profit After Tax increased by 48.84% at Rs.12.22 million for the year ended 31st March 2003 as compared to Rs.8.21 million for the same period last year.

5. Interest and Borrowings

The Interest on borrowings is reduced by 45.38% to Rs.1.21 million for the year ended 31st March 2003 from Rs.2.21 million for the same period last year. The interest is due to utilization of fund-based facilities & bill discounting with banks in order to meet its working capital requirements.

6. Capital Employed

The Return on Average Capital Employed (ROCE) was at 14.57% for the year ended 31st March 2003 as compared to 12.45% for the same period last year.

7. Net Worth

The Return on Average Net Worth (RONW) was at 14.32% for the year ended 31st March 2003 as compared to 10.89% for the same period last year.

8. Receivables

Debtor's number of days' sales was at 74 days for the year ended 31st March 2003 as compared to 96 days for the same period last year.

9. Manpower

The total employee strength as on 31st March 2003 was 109 as compared to 100 as on 31st March 2002.

PERFORMANCE SUMMARY

1.0 Revenue

For the Quarter ended 31st March 2003

- Revenue from Products Business was Rs.378.03 millions
- Revenue from IT Consulting Business was Rs.12.18 millions
- Revenue from Business Solutions was Rs.17.20 millions

For the year ended 31st March 2003

- Revenue from Products Business was Rs.1547.07 millions
- Revenue from IT Consulting Business was Rs.33.04 millions
- Revenue from Business Solutions was Rs.65.83 millions

2.0 EBIDT

2.1 EBIDT for the Quarter ended 31st March 2003 was 1.67 % of Total Income as Compared to 0.74% for the same period last year.

2.2 EBIDT for the year ended 31st March, 2003 was 1.40% of total income as Compared to 1.36% for the same period last year.

3.0 Profit After Tax (PAT)

3.1 Quarter ended 31st March 2003

- PAT for the Quarter ended 31st March 2003 was at Rs.3.36 million as against Rs.1.32 million for the same period last year.
- Profit Margin at 0.82% as compared to 0.29% for the same period Last year.

3.2 Year ended 31st March 2003

- PAT for the year ended 31st March 2003 was at Rs. 12.22 million as against Rs. 8.21 million for the same period last year.
- Profit Margin at 0.74% as compared to 0.64% for the same period last year.

SONATA INFORMATION TECHNOLOGY LIMITED

AUDITOR'S REPORT

TO THE MEMBERS OF SONATA INFORMATION
TECHNOLOGY LIMITED

1. We have audited the attached Balance Sheet of SONATA INFORMATION TECHNOLOGY LIMITED as at 31st March, 2003 and also the Profit and Loss Account for the year ended on that date annexed thereto and the cash flow statement for the year ended on that date. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with 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 mis-statement. 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 estimate 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. As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order, to the extent applicable.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
 - a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - b) In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of such books;
 - c) The Balance Sheet and Profit and Loss Account referred to in this report are in agreement with the Books of Account;
 - d) In our opinion, the Balance Sheet and Profit and Loss Account dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 to the extent applicable.
5. On the basis of written representations received from the directors as on 31st March, 2003 and taken on record by the Board of Directors, we report that none of the directors are disqualified as on 31st March, 2003 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
6. In our opinion and to the best of our information and according to the explanations given to us, the said Balance Sheet and Profit and Loss Account read together with the notes thereon give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2003; and
 - (b) in the case of Profit and Loss Account, of the Profit for the year ended on that date.
 - (c) in the case of cash flow statement, of the cash flows for the year ended on that date.

For N M Rajji & Co.
Chartered Accountants

Y N Thakkar
Partner

Mumbai, 17th April, 2003

SONATA INFORMATION TECHNOLOGY LIMITED

ANNEXTURE TO AUDITOR'S REPORT

Referred to in paragraph 3 of our Report of even date.

1. The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets. Physical verification of major assets was conducted by the Management during the year which in our opinion is reasonable having regard to the size of the Company and nature of its assets. No material discrepancies were noticed on such verification, as compared with the book records.
2. None of the fixed assets have been revalued during the year.
3. The stock of finished goods has been physically verified at reasonable intervals during the year by the Management. In our opinion, the frequency of the verification is reasonable.
4. The procedures of physical verification of stocks followed by the Management are, in our opinion, reasonable and adequate in relation to the size of the Company and the nature of its business.
5. There are no discrepancies noticed on physical verification of stocks compared with that of the book records.
6. In our opinion, the valuation of stocks is fair and proper and in accordance with the normally accepted accounting principles, and is on the same basis as in the preceding year.
7. The Company has not taken any loans, secured or unsecured, from companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956. In view of deletion of section 370 (1-B) of the Companies Act, 1956 it is not possible for us to comment on loans from companies under the same management.
8. The Company has not granted any loans, secured or unsecured to companies, firms or other parties listed in the Register maintained under section 301 of the Companies Act, 1956. In view of deletion of section 370 (1-B) of the Companies Act, 1956 it is not possible for us comment on loans to companies under the same management.
9. In respect of loans or advances in the nature of loan, given by the Company, the parties are generally repaying the principal amount as stipulated and are also regular in the payment of interest, where applicable.
10. In our opinion, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchase of plant and machinery, equipments, other assets and for the sale of goods.
11. In our opinion, and according to the information and explanations given to us, the Company has not entered into any transactions for the purchase of goods and materials and sale of goods and materials and services with companies, firms and other parties listed in the register maintained under section 301 of the Companies Act, 1956, and aggregating during the year to Rs. 50,000/- or more in respect of each party.
12. In our opinion, the company has complied with the provisions of sec. 58 A of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975.
13. The Company has an adequate internal audit system which was conducted by an independent firm of Chartered Accountants, which in our opinion is commensurate with the size and nature of its business.
14. The Company has been generally regular in depositing Provident Fund dues. Employees' State Insurance Act is not applicable to the company.
15. There are no undisputed amounts payable in respect of Income Tax, Wealth Tax, Customs Duty and Excise Duty which have remained outstanding as on 31st March, 2003 for a period exceeding six months from the date they became payable.
16. During the course of our examination of the books of accounts carried out in accordance with the generally accepted auditing practices, we have not come across any personal expense other than those payable under contractual obligation or in accordance with generally accepted business practices which have been charged to the Profit and Loss Account nor have we been informed of such case by the Management.
17. The Company has a reasonable system of allocation of man-hours utilized to the relative jobs, commensurate with its size and nature of its business. In our opinion, there is a reasonable system of authorization at proper levels with necessary controls on allocation of manpower to jobs/projects and the related system of internal control of the Company is commensurate with the size of the Company and the nature of its business.
18. As regards the trading activities, the damaged goods have been determined and necessary provisions for loss have been made in the accounts.

For N M Raiji & Co.
Chartered Accountants

Y N Thakkar
Partner

Mumbai, 17th April, 2003

SONATA INFORMATION TECHNOLOGY LIMITED

BALANCE SHEET AS AT 31st MARCH, 2003

(Rs.)

	SCHEDULE	AS AT 31.03.2003	AS AT 31.03.2002
SOURCES OF FUNDS			
SHAREHOLDER'S FUNDS			
Share Capital	1	60,007,000	60,007,000
Reserves and Surplus	2	<u>31,454,239</u>	<u>19,234,300</u>
		91,461,239	79,241,300
LOAN FUNDS			
Unsecured Loans	3	<u>4,600,000</u>	<u>9,100,000</u>
		4,600,000	9,100,000
DEFERRED TAX LIABILITY			
		228,791	633,760
TOTAL FUNDS EMPLOYED			
		<u>96,290,030</u>	<u>88,975,060</u>
APPLICATION OF FUNDS			
FIXED ASSETS			
Gross Block	4	9,988,302	9,411,709
Less : Depreciation		<u>6,658,262</u>	<u>4,109,533</u>
Net Block		3,330,040	5,302,176
CURRENT ASSETS, LOANS & ADVANCES			
Inventories	5	59,713,894	67,717,439
Sundry Debtors	6	334,959,308	338,965,153
Cash & Bank Balances	7	17,990,834	21,132,428
Other Current Assets	8	7,364,112	7,557,685
Loans and Advances	9	12,750,285	33,014,977
		<u>432,778,433</u>	<u>468,387,682</u>
Less: CURRENT LIABILITIES & PROVISIONS			
Current Liabilities	10	339,818,443	384,714,798
		<u>339,818,443</u>	<u>384,714,798</u>
NET CURRENT ASSETS			
		92,959,990	83,672,884
TOTAL FUNDS APPLIED			
		<u>96,290,030</u>	<u>88,975,060</u>
NOTES FORMING PART OF ACCOUNTS			
	16		

As per our Report annexed

For and on behalf of the Board

For N M RAIJI & Co.
Chartered Accountants

Y N THAKKAR
Partner

B RAMASWAMY
Director

P SRIKAR REDDY
Director

THOMAS K JOSEPH
Director

K S MAYURNATH
Director

PRAVEEN KUMAR D
Company Secretary

Mumbai, 17th April, 2003

Bangalore, 15th April, 2003

SONATA INFORMATION TECHNOLOGY LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2003

(Rs.)

	SCHEDULE	YEAR ENDED 31.03.2003	YEAR ENDED 31.03.2002
INCOME			
Sales and Services (Net)	11	1,642,273,622	1,283,953,068
Other Income	12	3,671,192	3,813,131
Total Income		1,645,944,814	1,287,766,199
EXPENDITURE			
Operating and Other Expenses	13	191,735,176	182,968,021
Purchase of traded items		1,419,348,415	1,094,207,851
Interest	14	1,210,869	2,217,004
Depreciation		2,560,596	2,564,526
Bad Debts		3,771,243	-
		1,618,626,299	1,281,957,402
Add/(Less) : (Increase)/ Decrease in Stocks	15	8,003,545	(6,962,129)
Total Expenditure		1,626,629,844	1,274,995,273
Profit Before Tax		19,314,970	12,770,926
Provision for Tax		7,095,031	4,555,928
Profit After Tax		12,219,939	8,214,998
Add : Balance of Profit brought forward from previous year		19,234,300	11,019,302
Disposable Surplus		31,454,239	19,234,300
Balance Carried to Balance Sheet		31,454,239	19,234,300
NOTES FORMING PART OF ACCOUNTS	16		
EPS - Basic (on Rs.10 per share)		2.04	1.37
EPS - Diluted (on Rs.10 per share)		2.04	1.37
EPS - Basic (Annualised) (on Rs.10 per share)		2.04	1.37
EPS - Diluted (Annualised) (on Rs.10 per share)		2.04	1.37

As per our Report annexed

For and on behalf of the Board

For N M RAIJI & Co.
Chartered Accountants

Y N THAKKAR
Partner

B RAMASWAMY
Director

P SRIKAR REDDY
Director

THOMAS K JOSEPH
Director

K S MAYURNATH
Director

PRAVEEN KUMAR D
Company Secretary

Mumbai, 17th April, 2003

Bangalore, 15th April, 2003

SONATA INFORMATION TECHNOLOGY LIMITED

Schedules attached to and forming part of the accounts for the year ended 31st March, 2003

(Rs.)

	AS AT 31.03.2003	AS AT 31.03.2002
--	-----------------------------	-----------------------------

SCHEDULE 1 : SHARE CAPITAL

Authorised :

10,000,000 Equity Shares of Rs. 10/- each (Previous year 10,000,000 Equity Shares of Rs. 10/- each)	100,000,000	100,000,000
--	--------------------	--------------------

Issued , Subscribed and Called up :

6,000,700 Equity Shares of Rs.10/- each (Previous year 6,000,700 Equity Shares of Rs.10/ each)	60,007,000	60,007,000
---	-------------------	-------------------

Paid-Up :

6,000,700 Equity Shares of Rs.10/- each (Held by Holding company -Sonata Software Limited) (Previous year 6,000,700 Equity Shares of Rs.10/ each)	60,007,000	60,007,000
---	-------------------	-------------------

Of the above 6,000,000 Equity shares have been allotted as fully paid pursuant to a contract without payment received in cash from Holding Company.

SCHEDULE 2 : RESERVES AND SURPLUS

Profit and Loss Account	31,454,239	19,234,300
-------------------------	-------------------	-------------------

SCHEDULE 3 : UNSECURED LOANS

Fixed Deposit	4,600,000	9,100,000
---------------	------------------	------------------

SCHEDULE 4: FIXED ASSETS

(Rs)

Assets	Gross Block				Depreciation				Net Block As at 31.03.03
	Cost as at 01.04.02	Additions	Deductions/ Adjustments	Cost as at 31.03.03	As at 01.04.02	For The Year	Deductions/ Adjustments	As at 31.03.03	
Plant & Machinery	6,611,716 (6,087,986)	376,600 (523,730)	- (-)	6,988,316 (6,611,716)	3,337,163 (1,212,932)	2,173,380 (2,124,231)	- (-)	5,510,543 (3,337,163)	1,477,773 (3,274,553)
Furniture & Fixtures	283,885 (235,585)	135,300 (48,300)	1 (-)	419,184 (283,885)	129,891 (99,151)	51,635 (30,740)	- (-)	181,526 (129,891)	237,658 (153,994)
Motor Car & Vehicles	783,033 (1,014,218)	- (-)	- (231,185)	783,033 (783,033)	270,213 (135,993)	132,769 (195,269)	- (61,049)	402,982 (270,213)	380,051 (512,820)
Air Conditioners & Other Equipments	1,733,075 (1,341,221)	103,000 (431,850)	38,306 (39,996)	1,797,769 (1,733,075)	372,266 (167,735)	202,812 (214,286)	11,867 (9,755)	563,211 (372,266)	1,234,558 (1,360,809)
TOTAL	9,411,709 (8,679,010)	614,900 (1,003,880)	38,307 (271,181)	9,988,302 (9,411,709)	4,109,533 (1,615,811)	2,560,596 (2,564,526)	11,867 (70,804)	6,658,262 (4,109,533)	3,330,040 (5,302,176)

Notes:

Figures in brackets pertain to previous year ended 31st March, 2002

SONATA INFORMATION TECHNOLOGY LIMITED

Schedules (Contd.)

(Rs.)

	YEAR ENDED 31.03.2003	YEAR ENDED 31.03.2002
SCHEDULE 11 : SALES AND SERVICES		
Sales	1,569,024,370	1,237,882,726
Services (Net)	73,249,252	46,070,342
	1,642,273,622	1,283,953,068
SCHEDULE 12 : OTHER INCOME		
Interest received - Gross	217,919	93,647
<i>[Tax Deducted at Source Rs.13,059 ; previous year Rs.Nil]</i>		
Excess Provisions no longer required	-	2,335,707
Sundry balances written back	522,243	-
Profit on Sales of Investments	164,829	-
Profit on Sales of Fixed Assets (Net)	-	17,693
Dividend Received	-	67,132
Miscellaneous Income	2,766,201	1,298,952
	3,671,192	3,813,131
SCHEDULE 13 : OPERATING AND OTHER EXPENSES		
Salaries, Wages, Bonus and Allowances (Including Directors Remuneration)	55,809,098	48,015,813
Contribution to Provident Fund and other Funds	1,737,890	1,659,574
Staff Welfare Expenses	274,763	525,208
	57,821,751	50,200,595
Power and Fuel	730,233	902,546
Rent	3,394,909	2,976,281
Rates & Taxes	4,376,275	4,747,923
Insurance	685,930	2,219,480
Repairs to : Plant and Machinery	395,450	295,744
Others	1,896,850	901,853
	2,292,300	1,197,597
Travelling and Conveyance Expenses	6,472,799	5,310,947
Legal, Professional and Technical Fees	7,728,520	1,759,299
Communication Cost	2,597,632	4,224,856
Auditors Remuneration		
Audit Fees	400,000	400,000
Taxation Matters	-	131,250
Management Services	93,750	236,250
Out of pocket expenses	14,475	69,420
	508,225	836,920
Royalty	7,928,523	5,149,349
Commission on Sales	4,080,656	1,448,288
Miscellaneous Expenses	6,327,512	5,838,519
Foreign exchange variation (net)	164,386	5,127,962
Loss on fixed assets discarded	25,990	-
Service charges paid to holding company	86,599,535	91,027,459
	191,735,176	182,968,021
SCHEDULE 14 : INTEREST		
Interest on Fixed Loans	-	-
Other Interest	1,210,869	2,217,004
	1,210,869	2,217,004
SCHEDULE 15 : (INCREASE)/DECREASE IN STOCKS		
Opening Stock		
In process	21,986,902	17,197,712
Finished Products	45,730,537	43,557,598
	67,717,439	60,755,310
Closing Stock		
In process	17,770,381	21,986,902
Finished Products	41,943,513	45,730,537
	59,713,894	67,717,439
(Increase)/ Decrease in Stocks	8,003,545	(6,962,129)

SONATA INFORMATION TECHNOLOGY LIMITED

Schedules (Contd.)

SCHEDULE 16 : NOTES FORMING PART OF THE ACCOUNTS

(Rs.)
31.03.03 31.03.02

1. SIGNIFICANT ACCOUNTING POLICIES

a) FIXED ASSETS AND DEPRECIATION

- Fixed assets are stated at cost less depreciation. For this purpose cost comprises of cost of acquisition and all costs directly attributable to bringing the asset to the present condition for its intended use.
- Depreciation has been provided on Plant & Machinery, on straight line basis and on other assets on written down value at the rate specified in Schedule XIV of the Companies Act, 1956, (as amended), or at the rates as per company's depreciation policy for the following items:

Rates of Depreciation

	Sch. XIV Rate	Rate Adopted
Computers & Software	16.21%	33.33%

b) INVENTORIES

- Finished goods are valued at lower of cost (weighted average) or net realisable value.
- Software products developed/under developments are stated at cost. Software development cost incurred on products ready for marketing are amortised equally over a period of three years or earlier based on Management's evaluation of expected sales volumes and duration of the product life cycle.

c) SALES & SERVICES

Sales is recognised on despatch of goods to the customer. Technical Service Contracts/Software Revenue is recognised on the basis of achievement of prescribed milestones as relevant to each contract or proportionate completion method as applicable.

d) FOREIGN CURRENCY TRANSACTIONS

Purchases and Sales are accounted at the monthly standard rates. Exchange fluctuations arising on payment or realisation are dealt with in the Profit and Loss Account. Current Assets and Current Liabilities are restated at the year-end closing rate/forward contract rate as applicable and any differences arising thereof have been dealt with in the Profit and Loss Account to the extent it pertains to the current year.

e) RETIREMENT BENEFITS

- Company's Contributions to Provident Fund have been made to an approved Fund of the Holding Company.
- Company's Contributions to Superannuation (based on a percentage of Salary) and Gratuity (on actuarial basis) have been provided.

2. Estimated amount of contracts remaining to be executed and not provided for as on 31 st March, 2003 (net of advances)	-	76,500
3. Contingent Liabilities not provided for	-	-
4. Claims not acknowledged as debts The above amount represents the claim made by the Income tax authorities in respect of tax deductible from payments to non-resident suppliers for import of software.	149,891,733	-
5. Remuneration and perquisites to Wholtime Directors Salaries Contribution to PF & Superannuation Fund Actual reimbursement of Medical Expenses and Personal accident insurance premium Other Perquisites as calculated under IT Act, 1961	1,699,061 132,786 33,964 177,573	1,782,195 136,675 26,252 98,973
	2,043,384	2,044,095
6. Value of Imports calculated on CIF basis Traded Goods Capital Goods	1,007,655,472 -	656,240,039 -
	1,007,655,472	656,240,039
7. Expenditure incurred in Foreign currency on account of Travelling Royalty Others	885,398 7,928,523 40,804	1,214,831 6,090,844 -
	8,854,725	7,305,675
8. Earnings in Foreign Exchange Software services rendered Sales Traded Products	18,371,591 83,313,375	12,613,794 24,218,714
	101,684,966	36,832,508
9. SSI Creditors & Amount owed over 30 days	NIL	NIL

10. QUANTITY AND VALUE PARTICULARS OF TRADING ACTIVITIES FOR THE YEAR ENDING 31st March, 2003.

Particulars	Opening Stock		Purchases		Sales		Closing Stock	
	Qty	Value	Qty	Value	Qty	Value	Qty	Value
Computer Software Packages	3,485 (2,824)	45,436,031 (41,989,868)	192,170 (151,175)	1,419,348,415 (1,094,207,851)	191,844 (150,514)	1,569,024,370 (1,237,882,726)	3,811 (3,485)	38,630,156 (45,436,031)

11. Income from Sales & Services includes gain on account of exchange fluctuation of Rs.75,511/- and Rs.997,293/- for the Current year ended 31st March, 2003 and previous year ended 31st March, 2002, respectively.

12. Provision for taxation for the year ended 31st March, 2003 includes Rs.404,969/- as deferred tax asset (DTL – Rs.55,928/-)

13. Previous year's figures are shown in brackets and have been regrouped, wherever necessary to conform to current year's classification.

Related Party Transaction

(The list of related parties and nature of their relationship is disclosed in the annexure.)

Remuneration of Directors

(Rs.)

Name	Salaries
KS Mayurnath	791,439 (918,428)
Sujit Mohanty	1,251,945 (1,188,884)

Loans due from Directors of the Company as at 31st March, 2003 is as under :

(Rs.)

Name	K.S. Mayurnath	Sujit Mohanty
Loans	209,702 (267,268)	- (-)

Other Related Parties

Sonata Software limited (SSL) is a company incorporated in India. SITL is a wholly owned subsidiary of SSL and both the Companies have two common directors. Amounts included in the financial statements of the Company are in relation to administrative services normal business transactions with SSL, as given below:

(Rs.)

	Balance as on 01.04.02	Transaction during the year	Amount paid during the year	Balance as on 31.03.03
Deputation Expenses	2,071,915 (1,125,336)	16,931,334 (9,086,051)	13,084,093 (8,139,472)	5,919,156 (2,071,915)
Service charges	35,128,950 (51,131,792)	86,599,535 (91,027,459)	101,311,796 (107,030,301)	20,416,689 (35,128,950)
Assets Purchased	- (-)	5,459,891 (-)	5,459,891 (-)	- (-)
Other Expenses	- (-)	2,714,716 (3,181,189)	2,714,716 (3,181,189)	- (-)
Current account transaction	-	2,500,000	-	2,500,000
Total	37,200,865 (52,257,128)	114,205,476 (103,294,699)	122,570,496 (118,350,962)	28,835,845 (37,200,865)

SONATA INFORMATION TECHNOLOGY LIMITED

Schedules (Contd.)

Futura Polysters Ltd : Formerly known as Indian Organic Chemicals Limited (IOCL) is a company incorporated in India. Both the Holding Company, SSL, & FPL have three common directors. Amounts included in the financial statements are in relation to revenue recognized by Sonata Information Technology Limited for implementation of software products and for providing annual maintenance services and normal business transactions relating to FPL, as given below:

(Rs.)

	Balance as on 01.04.02	Sales/ Expenses during the year	Amount received	Balance as on 31.03.03
Sundry debtors	11,220 (1,604,620)	3,072,113 (1,550,000)	3,060,443 (3,143,400)	22,890 (11,220)
Hyderabad Office expenses - Receivable	- (-)	- (108,684)	- (108,684)	- (-)

Scala ECE (Overseas) Ltd. (Scala), a Company incorporated in Cyprus, which is a business partner of SSL (holding company) in a Joint Venture, named Abisko. SITL has an agreement with Scala for distributing and implementing software products of Scala in India, Nepal, Srilanka & Bangladesh and pays royalty on the sale of software products and for the Annual maintenance services rendered. The following are the transactions and balances included in the financial statement of the Company as at 31st March, 2003.

Amounts Receivable

(Rs.)

Name	Opening As on 01.04.02	Sales (net) during the year	Receipts/trfr during the year	Foreign Exchange variation	Closing Balance As on 31.03.03
Scala Finland	310,695 (302,097)	- (-)	309,039 (-)	-1,656 (8,598)	- (310,695)
Scala-ECE (Overseas) Limited	21,383,913 (14,379,167)	10,158,297 (10,060,184)	31,139,240 (3,567,915)	-2,744 (512,477)	400,226 (21,383,913)
Scala North America	523,517 (509,031)	- (-)	518,727 (-)	-4,790 (14,486)	- (523,517)
Scala Belgium	401,542 (390,431)	- (-)	389,101 (-)	-12,441 (11,111)	- (401,542)
Scala France	331,772 (322,592)	- (-)	330,004 (-)	-1,768 (9,180)	- (331,772)
Scala Germany	731,850 (711,600)	- (-)	727,950 (-)	-3,900 (20,250)	- (731,850)
Scala Business Solution Pte Limited	- (122,787)	- (-)	- (-)	- (122,787)	- (-)

Amount Payable

(Rs.)

Name	Opening Balance as on 01.04.02	Transaction during the period	Closing Balance as on 31.03.03
Scala ECE (Overseas) Limited	12,610,641 (9,360,377)	11,571,920 (3,250,264)	1,038,721 (12,610,641)

14. Leases**Operating Leases**

The Company has various operating leases for office facilities and residential premises for employees that are renewable on a periodic basis, and cancelable at its option. Rental expenses for operating leases included in the Income statements for the period is Rs.3,394,909/- (Rs.2,937,701/-).

As of 31st March, 2003 future minimum lease payments for non-cancelable operating leases for the next five fiscal years are provided below.

For the year ending	(Rs.)
31.03.04	1,717,007 (1,463,381)
31.03.05	1,161,594 (792,000)
31.03.06	462,000 (462,000)
31.03.07	-
31.03.08	-

As per our Report annexed**For and on behalf of the Board****For N M RAIJI & Co.**

Chartered Accountants

Y N THAKKAR
Partner**B RAMASWAMY**
Director**P SRIKAR REDDY**
Director**THOMAS K JOSEPH**
Director**K S MAYURNATH**
Director**PRAVEEN KUMAR D**
Company SecretaryMumbai, 17th April, 2003Bangalore, 15th April, 2003

SONATA INFORMATION TECHNOLOGY LIMITED

LIST OF RELATED PARTIES & NATURE OF RELATIONSHIP

Annexure

List of related parties	Nature of Relationship	
S.B.Ghia, Chairman Chairman of SSL	Bhupati Investments & Finance Pvt. Ltd. (BIFL)	Significant Influence (through VIL); Spouse, Mrs.R.S.Ghia and Mrs.V.D.Ghia are Directors
	Chika Pvt Limited	Brother Mr.D.B.Ghia is CMD, Son Mr.N.S.Ghia and self are Directors
	Viraj Investments Pvt. Ltd. (VIL)	Self & Spouse, Brother and Brother's wife are Directors
M.D. Dalal, Executive Vice Chairman of SSL	Daltreya Investment & Finance P Ltd	Spouse, Mother & Sister are Directors
Rajan B Raheja, Director of SSL	Suman R Raheja	Wife
	Akshay R Raheja	Son
	Master Viren R Raheja	Son
	Excelsior Construction Private Ltd	100% shareholding by Mr.Rajan B Raheja & his family
	Gstaad Investments & Finance Pvt Ltd	100% shareholding by Mr.Rajan B Raheja & his family
	Trophy Investments & Finance Pvt Ltd	100% shareholding by Mr.Rajan B Raheja & his family
B Ramaswamy, Director of SITL	Sonata Software Limited	President & Managing Director
P Srikar Reddy, Director of SITL	Sonata Software Limited	Senior Vice President & Director
	Abisko Development Ltd, Cyprus	Director
Thomas K Joseph		Director of SITL
K S Mayurnath		Director of SITL
Sujit Mohanty		Director of SITL
Sonata Software Limited		Holding Company

Note : Above disclosures have been made by the Directors pursuant to the legal opinion from M/s Kanga & Co, Solicitors.

Additional information Pursuant to Provisions of part IV of schedule VI to the Companies Act, 1956.

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I REGISTRATION DETAILS

REGISTRATION NO.	127476	STATE CODE	11
BALANCE SHEET DATE	31.03.2003		

II CAPITAL RAISED DURING THE YEAR (AMOUNT IN RS.)

PUBLIC ISSUE	NIL	RIGHTS ISSUE	NIL
BONUS ISSUE	NIL	PRIVATE PLACEMENT	NIL

III POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS (AMOUNT IN RS.)

TOTAL LIABILITIES	96,290,030	TOTAL ASSETS	96,290,030
--------------------------	-------------------	---------------------	-------------------

SOURCES OF FUNDS

PAID UP CAPITAL	60,007,000	RESERVES & SURPLUS	31,454,239
SECURED LOANS	NIL	UNSECURED LOANS	4,600,000
DEFERRED TAX LAIBILITY	228,791		

APPLICATION OF FUNDS

NET FIXED ASSETS	3,330,040	INVESTMENTS	NIL
NET CURRENT ASSETS	92,959,990	DEFERRED TAX ASSET	NIL
ACCUMULATED LOSSES	NIL	MISC. EXPENDITURE	NIL

IV PERFORMANCE OF COMPANY (AMOUNT IN RS.)

TURNOVER	1,645,944,814	TOTAL EXPENDITURE	1,626,629,844
PROFIT BEFORE TAX	19,314,970	PROFIT AFTER TAX	12,219,939
EARNING PER SHARE	2.04	DIVIDEND RATE	NIL

V GENERIC NAMES OF PRINCIPAL PRODUCTS OF THE COMPANY

ITEM CODE NO. (ITC CODE)	852499.02
PRODUCT DESCRIPTION	FLOPPY DISK / CARTRIDGE TAPE CONTANING COMPUTER SOFTWARE

As per our Report annexed

For and on behalf of the Board

For N M RAIJI & Co.
Chartered Accountants

Y N THAKKAR
Partner

B RAMASWAMY
Director

P SRIKAR REDDY
Director

THOMAS K JOSEPH
Director

K S MAYURNATH
Director

PRAVEEN KUMAR D
Company Secretary

Mumbai, 17th April, 2003

Bangalore, 15th April, 2003

SONATA INFORMATION TECHNOLOGY LIMITED

CASH FLOW STATEMENT

	(Rs.)		(Rs.)	
	YEAR ENDED 31.03.03	YEAR ENDED 31.03.02	YEAR ENDED 31.03.03	YEAR ENDED 31.03.02
A. CASH FLOW FROM OPERATING ACTIVITIES				
Net Profit before Tax & extraordinary items	19,314,970	12,770,926		
Adjustments for:				
Depreciation	2,560,596	2,564,526		
Interest	1,210,869	2,217,004		
Interest Received	(217,919)	(93,647)		
Bad debts	3,771,243	-		
Provision no longer required	-	(2,335,707)		
Sundry Balances written back	(522,243)	-		
(Profit)/Loss on sale of Fixed Assets	25,990	(17,693)		
Dividend received	-	(67,132)		
Profit on sale of investments	(164,829)	-		
Operating Profit before working capital changes	25,978,677	15,038,277		
Adjustments for:				
Dec./(Inc.) in Sundry Debtors	756,845	(153,906,205)		
Dec./(Inc.) in Inventories	8,003,545	(6,962,129)		
Dec./(Inc.) in Other current assets	193,573	(1,012,643)		
Dec./(Inc.) in Loans & Advances	19,419,661	(22,126,576)		
(Dec.)/Inc. in Current Liabilities & Provisions	(44,896,355)	182,076,102		
(Dec.)/Inc. in Deferred Tax Liability	(404,969)	-		
Cash generated from operations:	9,050,977	13,106,826		
Interest paid	(1,210,869)	(2,217,004)		
Direct taxes / Advance tax paid	(6,250,000)	(3,800,000)		
Net Cash from operating activities	(A) 1,590,108	7,089,822		
B. CASH FLOW FROM INVESTING ACTIVITIES				
Dividend received	-	67,132		
Interest Received	217,919	93,647		
Purchase of Fixed Assets	(614,900)	(1,003,880)		
Sale of Fixed Assets	450	218,070		
Sale of Investments	201,964,829	41,900,000		
Purchase of Investments	(201,800,000)	(41,900,000)		
Net Cash used in Investing Activities	(B) (231,702)	(625,031)		
C. CASH FLOW FROM FINANCING ACTIVITIES				
Proceeds from long term Borrowings	-	1,400,000		
Repayment of long term Borrowings	(4,500,000)	-		
Net cash from financing activities	(C) (4,500,000)	1,400,000		
Net inc./(dec.) in Cash & Cash Equivalents	(A+B+C) (3,141,594)	7,864,791		
Opening Cash & Cash equivalents	21,132,428	13,267,637		
Closing Cash & Cash equivalents	17,990,834	21,132,428		

SONATA INFORMATION TECHNOLOGY LIMITED

Notes:

1. Cash and Cash Equivalents:

Cash and cash equivalents consists of cash on hand and balances with banks. Cash and cash equivalents included in the Cash Flow statement comprise of the following balance sheet amounts

	Year ended 31.03.2003	Year ended 31.03.2002
		(Rs.)
Cash on hand and balance with banks	17,993,369	21,086,389
Short term investments	-	-
Cash and Cash Equivalents	17,993,369	21,086,389
Effect of exchange rate change	(2,535)	46,039
Cash and Cash Equivalents as restated	17,990,834	21,132,428

- The Company has undrawn borrowing facilities of Rs.850 Lacs
- Direct taxes / Advance tax paid during the financial year ended 31.03.2003 amounted to Rs.62.50 lacs
- Previous year's figures have been regrouped wherever necessary to conform to current year's classification

As per our Report annexed

For and on behalf of the Board

For N M RAIJI & Co.
Chartered Accountants

Y N THAKKAR
Partner

B RAMASWAMY
Director

P SRIKAR REDDY
Director

THOMAS K JOSEPH
Director

K S MAYURNATH
Director

PRAVEEN KUMAR D
Company Secretary

Mumbai, 17th April, 2003Bangalore, 15th April, 2003



SONATA SOFTWARE LIMITED

SHAREHOLDERS' INFORMATION

1. Exchanges listed at

The Stock Exchange, Mumbai(BSE).
Phiroze Jeejeebhoy Towers,
Dalal Street, Mumbai – 400 001.

National Stock Exchange of India Ltd (NSE)
Exchange Plaza, 5th Floor
Plot No.C/1, G Block
Bandra-Kurla Complex, Bandra(E)
Mumbai 400 051

Bangalore Stock Exchange Ltd (BgSE)
No.51, Stock Exchange Towers
1st Cross, J.C.Road
Bangalore – 560 027

2. Listing Fees

Paid for all the above stock exchanges for 2002-03

3. Stock Code

532221 (BSE)
Sonatsoftw (NSE)

4. Date of Book Closure

13th June to 24th June, 2003(both days inclusive)

5. Date, Time and Venue of the Annual General Meeting

24th June, 2003 at 3.00 p.m. at M.C. Ghia Hall
Bhogilal Hargovindas Building 18/20,
Kaikhushru Dubash Marg (Behind Prince of
Wales Museum) Mumbai - 400 001

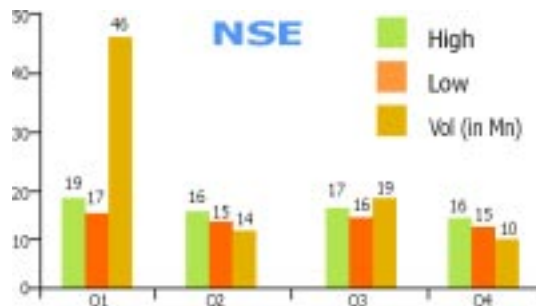
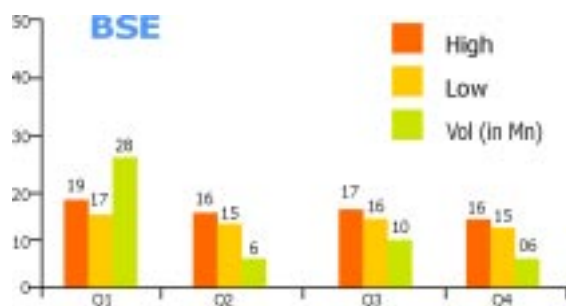
6. Dividend Payout date

3rd July, 2003 onwards.

7. Stock Market Data

Quarterly high & low quotations(average) and total volume of shares (approx) traded at BSE & NSE during Financial Year 2002-03 :

Quarter ended		BSE			NSE		
		High (Rs)	Low (Rs)	Volume (in Mn)	High (Rs)	Low (Rs)	Volume (in Mn)
30th June, 2002	(Q1)	19	17	28	19	17	46
30th Sept, 2002	(Q2)	16	15	6	16	15	14
31st Dec, 2002	(Q3)	17	16	10	17	16	19
31st March, 2003	(Q4)	16	15	6	16	15	10





SONATA SOFTWARE LIMITED

- 8. **Market Capitalisation as on 31.03.2003** : Rs.128 Crores (as per closing price in BSE)
- 9. **No. of Employees as on 31.03.2003** : 645
- 10. **No. of Shareholders as on 31.03.2003** : 37365
- 11. **No of shares traded during 2002-03** : BSE - 500 Lacs (approx)
NSE - 890 Lacs (approx)
- 12. **Communication regarding share transfers, share certificates, dividends, and change of address etc may be addressed to** : Karvy Consultants Ltd
Registrars & Share Transfer Agents
No.51/2, TKN Complex, Vanivilas Road
Opp.National College, Basavanagudi
Bangalore - 560 004 Tel : (080) 6620003 - 56621184
FAX : (080) 6621169 Email : bangalore@karvy.com

13. Share Transfer System

The Share Transfer Committee meets about two times a month. Shares sent for physical transfers would be registered and returned within an average period of 15 days from the date of receipt, if the documents are clear in all respects.

Total number of shares transferred during the year ended 31st March 2003 :

Transfer Period (Days)	No. of transferees (Folios)	No of shares	%
1-10	7	12900	5.86
11-15	30	195700	88.85
16-20	3	5000	2.27
21-25	7	6200	2.81
Above 25 *	1	450	0.2
Total	48	220250	100.00

* Delay beyond 25 days were due to compliance of legal requirements.

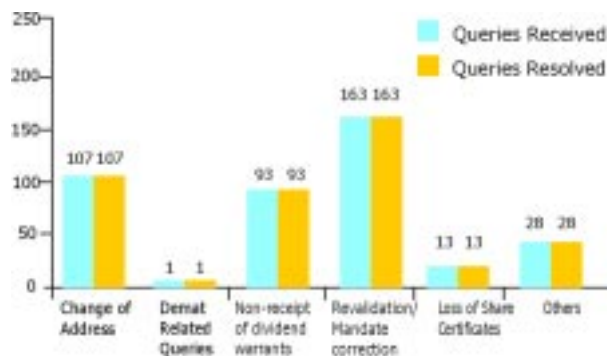


SONATA SOFTWARE LIMITED

14. Investors' service

Queries/Requests received during the year ended 31st March 2003, most of which were attended to within 7 days from date of receipt

Nature of Queries/Requests	Received	Cleared
Change of Address	107	107
Demat related queries	1	1
Non-receipt of dividend warrants	93	93
Revalidation/Mandate Correction	163	163
Loss of share certificates	13	13
Others **	28	28
TOTAL	405	405



** Queries in respect of the following :

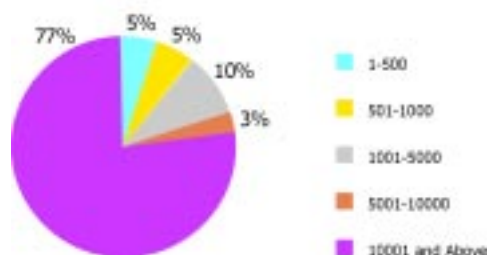
Non receipt of Annual reports, Non-receipt of share certificates after sub-division/transfer, Procedure for sub-division of shares etc.

BSE, NSE & BgSE have confirmed that as of 31st March, 2003, there are no investor complaints/queries pending to be resolved by the Company/Registrar's & Share Transfer Agents.

15. Distribution Schedule

Category	31.03.2003				31.03.2002			
	No. of share holders	% to total holders	No. of shares	% to total shares	No. of share holders	% to total holders	No. of shares	% to total shares
1-500	25950	69	5310932	5	26856	70	5308560	5
501-1000	6163	17	5605078	5	6439	17	5815722	6
1001-5000	4320	12	9860775	10	4348	11	10089608	10
5001-10000	488	1	3570921	3	509	1	3711197	3
10001 and Above	444	1	80811600	77	430	1	80234219	76
Total	37365	100	105159306	100	38582	100	105159306	100

Distribution Schedule (% to total shares) 31/03/03

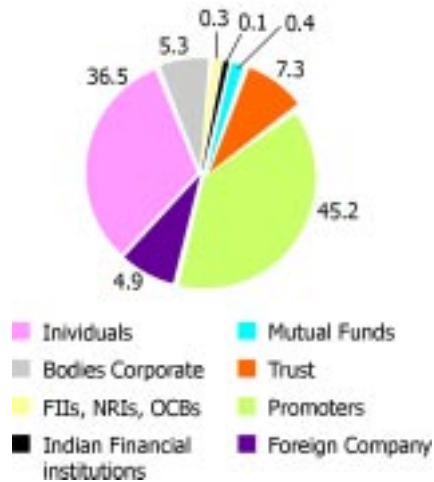


SONATA SOFTWARE LIMITED

16. Shareholding pattern

Category	31.03.2003				31.03.2002			
	No. of share holders	% to total holders	No. of shares	% to total shares	No. of share holders	% to total holders	No. of shares	% to total shares
Individuals	35722	95.60	38429184	36.5	36841	95.49	38352166	37
Bodies Corporate	1452	3.90	5561708	5.3	1547	4.01	4561109	4
FII's, NRIs, OCBs	173	0.46	316668	0.3	172	0.45	1232138	1
Indian Financial Institutions	1	0.00	68400	0.1	2	0.01	595780	1
Mutual Funds	1	0.00	374990	0.4	1	0.00	4357	0
Trust	1	0.00	7666000	7.3	1	0.00	7671400	7
Promoters	14	0.04	47589850	45.2	17	0.04	47589850	45
Foreign Company	1	0.00	5152506	4.9	1	0.00	5152506	5
Total	37365	100	105159306	100	38582	100	105159306	100

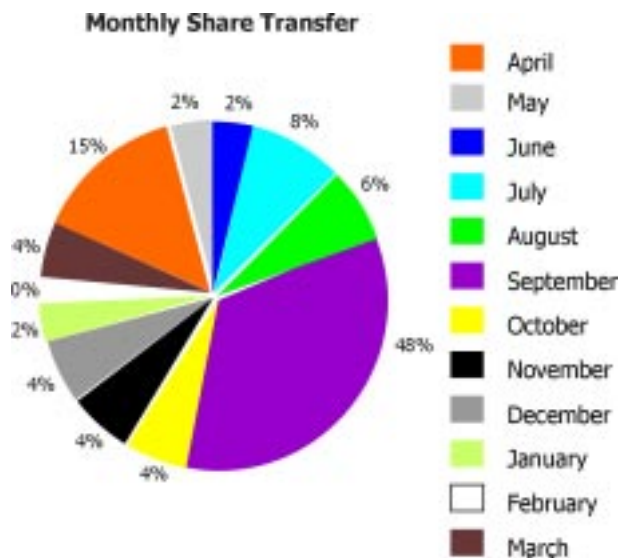
Shareholding Pattern (% to total Shares) 31.03.03



SONATA SOFTWARE LIMITED

17. Monthly Transfers during FY 2002-03

Month	Total Transfers	%
April'02	7	15
May'02	1	2
June'02	1	2
July'02	4	8
August'02	3	6
September'02	23	48
October'02	2	4
November'02	2	4
December'02	2	4
January'03	1	2
February'03	0	0
March'03	2	4
	48	100

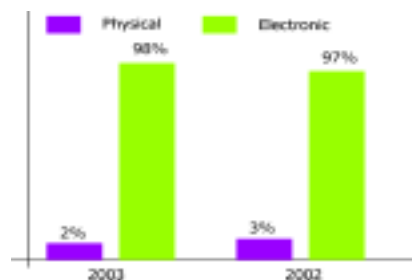


18. Shares dematted during FY 2002- 03

Month	No. of requests	No. of shares
April'02	10	82310
May'02	20	162001
June'02	10	10150
July'02	13	129000
August'02	10	53600
September'02	26	47525
October'02	19	101000
November'02	12	19151
December'02	20	79325
January'03	19	28450
February'03	16	81000
March'03	6	8775
Total	181	802287

19. Shareholdings held in Physical & Electronic form

Particulars	31.03.2003		31.03.2002	
	No. of shares	% of holding	No. of shares	% of holding
Physical	2359937	2	3102650	3
Electronic	102799369	98	102056656	97
Total	105159306	100	105159306	100



SONATA SOFTWARE LIMITED

20. Share Performance & Dividend Payouts



For FY 2002-03, interim dividend payout was @ 20% and now a final dividend @ 30% has been recommended

21. Financial calendar (subject to change)

Annual General Meeting for the year ended March 31, 2003	24th June, 2003
Financial results for the first quarter ended June 30, 2003	July, 2003
Financial results for the second quarter ended September 30, 2003	Oct, 2003
Financial results for the third quarter ended December 31, 2003	Jan, 2004
Financial results for the year ending March 31, 2004	Apr, 2004
Annual General Meeting for the year ending March 31, 2004	June, 2004

22. Investors' correspondence may be addressed to

Mr N Ebenezer Devasahayam
Associate Vice President - Finance & Co. Secretary
Sonata Software Ltd
1/4 APS Trust Building, Bull Temple Road
N R Colony, Bangalore 560 019, India
Tel : (080) 6610330 Fax : (080) 6610972
Email : investor@sonata-software.com

Karvy Consultants Ltd
Registrars & Share Transfer Agents
No.51/2, TKN Complex, Vanivilas Road
Opp.National College, Basavanagudi
Bangalore - 560 004 PH : (080) 6620003-5, 6621184
FAX : (080) 6621169
Email : bangalore@karvy.com

23. Website address of the Company on the internet

: <http://www.sonata-software.com>



MEMORANDUM INFORMATION

ABISKO DEVELOPMENT LIMITED**DIRECTORS' REPORT**

The Directors submit their report together with the audited financial statements of the year ended 31st March, 2003.

Business of the Company

The principal activity of the Company is the development of computer software products.

Country of incorporation

The Company was incorporated in Cyprus on 21st December, 1998.

Results

The Company's loss for the year was US\$ 13,837 (2002: US\$ 17,531) and the directors propose that this is carried forward.

Board of directors

There is no requirement for the retirement of directors by rotation, and consequently all directors shall remain in office.

Auditors

The auditors, Messrs Ernst & Young, have signified their willingness to continue in office and a resolution approving their reappointment and fixing their remuneration will be proposed at the Annual General Meeting.

By order of the Board**Melina Pyrgou**

Secretary

NICOSIA

3rd April, 2003

REPORT OF INDEPENDANT AUDITORS**To the Board of Directors and Shareholders of Abisko Development Limited**

We have audited the accompanying Balance Sheet of Abisko Development Limited as of 31st March, 2003, and the related statements of income and cash flows for the period then ended. These financial statements are the responsibility of the Company's Directors. Our responsibility is to express an opinion on these financial statements based on our audit. This report is made solely to the Company's members, as a body, in accordance with Section 156 of the Companies Law, Cap. 113. Our work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinion we have formed.

We conducted our audit 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 the Directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides 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 Abisko Development Limited at 31st March, 2003 and the results of its operations and its cash flows for the period then ended in conformity with international Financial Reporting Standards and comply with the Companies Law, Cap. 113.

International Financial Reporting Standards do not conform with accounting principles generally accepted in the United States. There were no differences between U.S. generally accepted accounting principles and the accounting principles adopted by the Company under International Financial Reporting Standards.

Ernst & Young

Chartered Accountants

Nicosia

3rd April, 2003

Board of Directors :

Palem Srikar Reddy - Chairman

Sergey Shvedov - Director

Ganesh Subramanian - Director

Melina Pyrgou - Secretary

Ernst & Young - Auditors

ABISKO DEVELOPMENT LIMITED

**INCOME STATEMENT
for the year ended 31st March, 2003**

	US\$		
	Notes	YEAR ENDED	YEAR ENDED
		31.03.03	31.03.02
Turnover		-	1,736,976
Cost of sales		-	(1,766,976)
Gross Loss		-	(30,000)
Royalties received		-	30,000
Administration expenses		(13,456)	(17,218)
Loss from operations		(13,456)	(17,218)
Interest and bank charges		(174)	(358)
Foreign exchanges differences		(207)	45
		(381)	(313)
Loss for the year	3	(13,837)	(17,531)

BALANCE SHEET AS AT 31st March, 2003

	US\$		
	Notes	AS AT	AS AT
		31.03.03	31.03.02
ASSETS			
Current Assets			
Work in progress	4	520,346	520,346
Formation expenses		4,218	8,435
Cash at bank		59,323	66,895
		583,887	595,676
TOTAL ASSETS		583,887	595,676
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	6	625,000	625,000
Profit & Loss account-deficit		(47,598)	(33,761)
Total equity		577,402	591,239
Current Liabilities			
Accounts payable	5	6,485	4,437
TOTAL EQUITY & LIABILITIES		583,887	595,676

**STATEMENT OF CASH FLOWS
for the year ended 31st March, 2003**

	US\$		
	Notes	YEAR ENDED	YEAR ENDED
		31.03.03	31.03.02
Cash flow form operating activities			
Loss for the year		(13,837)	(17,531)
Operating loss before working capital changes		(13,837)	(17,531)
Dec. in accounts receivable		-	77,759
Dec. in work in progress		-	212,588
Inc./(dec.) in accounts payable		2,048	(4,615)
Dec. in amount due to shareholders		-	(26,243)
Dec. information expenses		4,217	4,218
Cash generated (used in)/from operations		(7,572)	246,176
Net cash (used in)/ from activities		(7,572)	246,176
Cash flows from financing activities			
Proceeds from issuance of share capital		-	62,478
Loan repayment		-	(414,057)
Net cash used for financing activities		-	(351,579)
Net dec. in cash and cash equivalents		(7,572)	(105,403)
Cash and cash equivalents at 1st April	7	66,895	172,298
Cash and cash equivalents at 31st March	7	59,323	66,895

**STATEMENT OF CHANGES IN EQUITY
for the year ended 31st March, 2003**

	US\$		
	SHARE CAPITAL	PROFIT & LOSS A/C	TOTAL
Balance 1 st April 2001	625,000	(16,230)	608,770
Loss for the year	-	(17,531)	(17,531)
Balance 31 st March 2002	625,000	(33,761)	591,239
Loss for the year	-	(13,837)	(13,837)
Balance 31 st March 2003	625,000	(47,598)	577,402

ABISKO DEVELOPMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS AT 31st MARCH, 2003

1. Corporate information

The Financial statement of Abisko Development Limited for the year ended 31st March, 2003 were authorised for issue in accordance with a resolution of the directors on 3rd April, 2003.

The Company was incorporated in Cyprus on 21st December, 1998 and principal activity of the Company is the development of computer software products. During the year under review the Company did not have any income.

2. Significant accounting policies

Accounting convention

The financial statements are prepared under the historical cost convention.

Foreign currency translation

The financial statements are expressed in US Dollars. Transactions in other currencies are translated to US Dollars at the average rates of exchange for the year. Balances in other currencies are translated to US Dollars at the rates of exchange ruling at the end of the year. Any resulting gains or losses are dealt with in the statement of income.

Taxation

Taxation is provided for in accordance with Cyprus fiscal regulations.

Deferred taxation is provided using the liability method on all temporary differences at the reporting date. It is calculated at the tax rates that are expected to apply to the year when it is anticipated the liabilities will be settled, and it is based on tax rates (and laws) that have been enacted at the balance sheet date.

Cash and cash equivalents

Cash and cash equivalents consist of balances with banks.

Work in progress

Work in progress is valued at cost comprising of all costs incurred in the development of computer software packages.

Formation expenses

These consists of all legal and other costs incurred in the establishment of the Company. These costs will be written off over five years.

Sales and revenue recognition

Turnover comprises of the invoiced value of computer software maintenance services supplied by the company during the year.

Revenue is recognised when the significant risks and rewards of ownership of the products have passed to the buyer and the amount of revenue can be measured reliably.

US Generally Accepted Accounting Principles

The accounting principles applied in all material respect to the Company's assets and liabilities, comply with U.S. generally accepted accounting principles ("U.S. GAAP")

Financial instruments

Financial instruments include receivables, cash and bank balances, short term loans, payables and certain other assets and liabilities. Fair values of financial instruments are based on management's estimates.

US\$

31.03.2003 31.03.2002

3. Loss for the year

This is stated after charging the following:
Audit fees

<u>4,879</u>	<u>4,300</u>
--------------	--------------

4. Work in progress

Development of computer software products
"Time and expense"

<u>520,346</u>	<u>520,346</u>
----------------	----------------

5. Accounts payable

Accrued expenses

<u>6,485</u>	<u>4,437</u>
--------------	--------------

6. Share Capital

Authorised and issued
625,000 shares of US\$ 1 each

<u>625,000</u>	<u>625,000</u>
----------------	----------------

7. Cash and Cash equivalents

Cash and cash equivalents consist of balances with bank and comprise the following balance sheet amount in the cash flow statement:

Cash at bank	<u>59,323</u>	<u>66,895</u>
--------------	---------------	---------------

8. Financial instruments

Interest rate risk

As at March, 2003, the Company is not exposed to any material interest rate risk.

Foreign currency risk

The Company does not have any material assets and liabilities denominated in non US\$ currencies as at the year end. Therefore as at 31st March 2003, the Company is not exposed to any material foreign currency risk.

Credit risk exposure

As at 31st March 2003, the Company is not exposed to any material risk.

9. Fair value

The fair value of the company's financial statements and liabilities did not differ materially from the values on the balance sheet.

OFFSHORE DIGITAL SERVICES, INC.

Report of Independent Auditors

Board of Directors
Offshore Digital Services, Inc.

We have audited the accompanying balance sheet of Offshore Digital Services, Inc. as of March 31, 2003 and 2002, and the related statements of operations and retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the management of Offshore Digital Services, Inc. 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. 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 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 presents fairly, in all material respects, the financial position of Offshore Digital Services, Inc. as of March 31, 2003 and 2002, and the results of its operations and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States.

As explained in the notes to the accompanying financial statements, Offshore Digital Services Inc. had significant transactions with Sonata Software Limited, owner of a majority its common stock.

Wilson Markle Stuckey Hardesty & Bott

April 4, 2003

BALANCE SHEET AS AT 31ST MARCH, 2003

US\$

	AS AT 31.03.2003	AS AT 31.03.2002
--	-----------------------------	-----------------------------

Assets

Current assets

Cash & Cash equivalents	79,442	20,816
Accounts receivable, net of allowances of \$ 49,000 (2002-\$49,000)	2,375,851	2,232,357
Note receivable	45,000	-
Employee advances	2,831	7,735
Prepaid expenses	49,924	66,525
Total current assets	2,553,048	2,327,433

Property and equipment at cost	216,062	213,572
Accumulated depreciation	(180,312)	(162,621)

Property & equipment, net **35,750** **50,951**

Deposits and other assets 754,107

Total assets **3,147,064** **3,132,491**

LIABILITIES & STOCKHOLDER'S EQUITY

Current liabilities

Accounts payable	72,733	59,093
Accounts payable-Sonata, net	1,873,391	2,165,388
Accrued expenses	246,196	188,051
Total current liabilities	2,192,320	2,412,532

Preferred stock redeemable, \$ 0.001 par value liquidation value of \$ 1.00 per share plus 8% annual cumulative dividend, 6,500,000 shares authorised issued and outstanding	6,500,000	6,500,000
--	-----------	-----------

Stockholder's equity

Common stock, no par value, 300,000 shares authorised, issued and outstanding	300,000	300,000
Retained earnings (accumulated deficit)	(5,845,256)	(6,080,041)

Total stockholders' equity **(5,545,256)** **(5,780,041)**

Total preferred stock & stock holders' equity **954,744** **719,959**

Total liabilities & stockholders' equity **3,147,064** **3,132,491**

OFFSHORE DIGITAL SERVICES, INC.

STATEMENT OF OPERATIONS AND RETAINED EARNINGS

	US\$	
	YEAR ENDED 31.03.2003	YEAR ENDED 31.03.2002
Revenues - Computer Programming services	7,198,097	9,528,776
Direct costs - Computer programming services	6,229,666	7,664,413
Revenue over direct costs	968,431	1,864,363
General and Admin. expenses		
General & Admin. exp.	515,955	1,233,681
Depreciation	17,691	18,169
Amortization	200,000	394,481
Interest, net	-	105,357
Total general and administration exp.	733,646	1,751,688
Net income	234,785	112,675
Retained earnings (accum. deficit), beginning of year	(6,080,041)	(6,192,716)
Retained earnings (accum. deficit), end of the year	(5,845,256)	(6,080,041)

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31st MARCH, 2003**

	US\$	
	YEAR ENDED 31.03.2003	YEAR ENDED 31.03.2002
Cash flows from operating activities		
Net income	234,785	112,675
Adjustments to reconcile net income to net cash provided (used) by operating activities		
Depreciation	17,691	18,169
Amortization	200,000	394,481
Changes in current assets and liabilities		
Accounts receivable	(143,494)	(101,611)
Prepaid expenses	16,601	(33,825)
Accounts payable	13,640	(102,100)
Accrued expenses	58,145	(390,832)
Net cash provided (used) by operating activities	397,368	(103,043)
Cash flows from investing activities		
Purchases of property and equipment	(2,490)	(3,926)
Increase in note receivable	(45,000)	-
Net change in deposits and other assets	(4,159)	3,023
Net cash provided (used) by investing activities	(51,649)	(903)
Cash flows from financing activities		
Net change in employee advances	4,904	26,204
Loan fees paid	-	(67,500)
Net change in accounts payable - Sonata	(291,997)	(3,840,836)
Issuance of preferred stock	-	6,500,000
Payments on notes payable	-	(2,500,002)
Net cash provided (used) by financing activities	(287,093)	117,866
Change in cash & cash equivalents	58,626	13,920
Cash & cash equivalents, beginning of the year	20,816	6,896
Cash & cash equivalents, end of the year	79,442	20,816
Supplemental cash flow information		
Cash paid for interest during the year	-	110,080
Cash paid for income taxes during the year	1,727	6,237

OFFSHORE DIGITAL SERVICES, INC.**NOTES TO FINANCIAL STATEMENTS MARCH 31, 2003****Note 1 - Summary of significant accounting policies****Basis of presentation**

Offshore Digital Services, Inc. (ODSI) is a California corporation formed April 17, 1992 and based in San Leandro, California. ODSI provides computer-programming services to companies throughout the United States. Sonata Software Limited (Sonata), a corporation based in India that owns a majority of the common stock of ODSI, trains and provides substantially all the employees of ODSI. Such employees work in the United States for ODSI.

Fiscal year

ODSI operates and reports using a fiscal year ending on the last day of March.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and on deposit with a commercial bank, all available within 90 days of demand.

Property and equipment

Property and equipment consists of computer and office equipment, furniture and leasehold improvements. ODSI records property and equipment at cost and depreciation using accelerated and straight-line methods over estimated useful lives of from five to seven years. ODSI generally capitalizes acquisitions exceeding \$500.

Taxes on income

Under the provisions of Financial Accounting Standards Board Statement No.109, "Accounting for income Taxes", ODSI records deferred tax assets and liabilities for future estimated income tax reductions and increases, respectively, based on the temporary timing difference between assets and liabilities reported for financial statement and income tax purposes.

ODSI provides a 100% valuation allowance for any deferred income tax asset resulting from loss carryforwards less likely than not to be recoverable in future periods.

Accounts receivable and revenue

ODSI derives substantially all its revenue from computer programming services provided by its employees, independent contractors and Sonata employees, all billed on an hourly basis. ODSI recognizes contract revenue and records a receivable when the employees and independent contractors perform the services.

ODSI may also contract to perform a specific computer-programming task and the contract may limit the number of billable hours or provide for a certain result. ODSI records expenses related to excess or corrective hours as incurred. Management of ODSI believes that future losses on uncompleted contracts with limited billable hours or specified results to be insignificant.

Revenue from a series of contracts with one company comprised approximately 26% of total revenues for the year ended March 31, 2003. Revenue from a series of contracts with two companies comprised approximately 29% of total revenues for the year ended March 31,2002. Amounts due from one company comprised approximately 37% total accounts receivable at March 31, 2003. Amounts due from one company comprised approximately 46% total accounts receivable at March 31, 2002.

Credit risk

ODSI provides services throughout the United States to various private companies and other institutions. ODSI performs ongoing credit evaluations of the financial condition of its customers and generally requires no collateral from them.

ODSI estimates a provision for losses on its accounts receivable based on total contract revenue, accounts receivable aging and previous experience. ODSI maintains reserves for potential credit losses and such losses have been within expectations.

At various times during the year ended March 31, 2003, cash and cash equivalents on deposit with a commercial bank exceeded federal deposit insurance limits.

Reclassifications

Certain prior year amounts in the accompanying financial statements have been reclassified to conform to the 2003 presentation.

Use of estimates

ODSI prepares its financial statement in accordance with generally accepted accounting principles. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. Actual results could differ from those estimated.

OFFSHORE DIGITAL SERVICES, INC.**Estimate fair value of financial instruments**

Statement of Financial Accounting Standards No. 107, "Disclosure about Fair value of Financial Instruments" requires the disclosure of the fair value of financial instruments, including assets and liabilities recognized on the balance sheet. Management estimates that the aggregate net fair value of financial instruments recognized on the balance sheet (including receivables, payables and accrued expenses) approximates their carrying value, as such financial instruments are short-term in nature or bear interest at current market rates.

Note 2 - Sonata Software Limited

Sonata owns 95% of the common stock of ODSI. Under a Master Agreement extended through March 31, 2004, Sonata provides its trained employees to ODSI. Such employees become employees of and work under the direction of ODSI. Such employees perform services for ODSI clients. Although virtually all ODSI clients are in the United States, the employees perform services at Sonata in India, at ODSI headquarters in San Leandro, California and at various client sites throughout the United States. Sonata pays for training and initial transportation of the provided employees and ODSI pays for visa applications and other documents required by the United States.

Under the Master Agreement, ODSI currently pays Sonata "deputation" charges of \$7,500 and \$4,000 per provided employee per month for provided employees working in the United States and India, respectively. During the year ended March 31, 2003, ODSI incurred deputation charges totaling \$4,184,698 (2002 - \$7,244,491) for provided employees.

Under the Master Agreement, Sonata currently pays ODSI a living allowance of \$6,000 per provided employees per month for provided employees working in the United States. During the year ended March 31, 2003, ODSI earned living allowances totalling \$4,077,527 (2002 - \$5,752,508) for provided employees working in the United States.

Sonata also makes its employees available to ODSI for specific software development projects of ODSI clients. Such Sonata employees typically work at Sonata in India or briefly in the United States. Hourly rates charged to ODSI for Sonata employees vary with the expertise and experience level of each Sonata employee. During the year ended March 31, 2003, ODSI incurred charges totaling \$1,232,290 (2002 - \$114,511) for Sonata employees.

During the year ended March 31, 2001, ODSI purchased from Sonata three reusable specialized software components, based on varied skills and technicalities, for a cost of \$1,000,000. The software components are used to provide accelerated software solutions for ODSI projects. The cost has been capitalized and amortized over a five-year period beginning January 2001. The cost, net of accumulated amortization of \$450,000, is included in deposits and other assets in the accompanying balance sheet.

Through March 31, 2001, Sonata provided 24/7 support services to ODSI for management and maintenance of its internal computer hardware and software, communications and allied tasks, including provision of an on-site technician. During the year ended March 31, 2001, ODSI expensed charges totaling \$400,000 for the Sonata provided support. No amounts were charged for the years ended March 31, 2003 or 2002.

Because of the various charges and reimbursements indicated above and other charges and transfers, ODSI records in its internal financial statements various receivables and payables due from and to Sonata. In this financial statement, ODSI nets the various related receivables and payables as accounts payable – Sonata, which reconciles below:

	US\$	
	2003	2002
Accounts receivable		
Sonata – Living allowance reimbursements and other	<u>60,676</u>	<u>31,757</u>
Accounts payable		
Sonata – Deputation and computer charges	1,082,736	2,116,669
Sonata – Software development charges	<u>851,331</u>	<u>80,476</u>
Total accounts payable – Sonata	1,934,067	2,197,145
Accounts payable – Sonata, net	<u>1,873,391</u>	<u>2,165,388</u>

**OFFSHORE DIGITAL SERVICES, INC.**

Note 3 – Note receivable

In February 2003, ODSI loaned amounts totaling \$45,000 to a corporation in which Sonata has a portfolio investment. The loans were made pursuant to an agreement that provides for additional loans of up to \$105,000 or a total of \$150,000. Amounts loaned are secured by the all proprietary software and other intangibles owned by the affiliate. Principal and interest at 7% per annum are due 180 days following the loan advance.

Note 4 – Income taxes

ODSI has available federal and state tax loss carryforwards to offset future taxable income. Federal loss carryforwards, expiring at various times through 2021, total approximately \$5,312,000. ODSI recorded a 100% valuation allowance against the deferred tax asset resulting from the loss carryforwards.

No income tax was payable for the years ended March 31, 2003 or 2002 after utilization of federal and state net loss carryforwards. ODSI paid nominal amounts of income taxes attributable entirely to state minimum income, franchise and other taxes. ODSI has no other material deferred income tax assets or liabilities.

Note 5 – Retirement plan

Effective January 2001, ODSI adopted a defined contribution plan with elective deferrals under Internal Revenue Code Section 401 (k). Eligible employees with one year of service may defer a portion of their salary to the plan. During the year ended March 31, 2003, ODSI did not make any matching employer contributions.

Note 6 – Preferred stock

In September 2001, ODSI authorized and issued 6,500,000 shares of preferred stock to Sonata for \$6,500,000 and used the proceeds to repay notes payable and other amounts due to Sonata. The preferred stock has a stated liquidation preference of \$1.00 per share and an annual dividend of 8%, cumulative. Dividends unpaid add to the liquidation preference, which at March 31, 2003 totals approximately \$7,302,000. The preferred stock is non-voting and is subject to mandatory redemption beginning in January 2005.

Note 7 – Commitments and contingencies

ODSI leases its office facility under a noncancelable operating lease expiring July 2003. Future minimum required lease payments under noncancelable operating leases as of March 31, 2003 total approximately \$16,000.

Office facility and other rent expense that ODSI charged to operations for the year ended March 31, 2003 totalled \$55,349 (2002 - \$64,513)

BOARD OF DIRECTORS

S B Ghia
Chairman

M D Dalal
Executive Vice Chairman

Rajan B Raheja
Director

Pradip P Shah
Director

S N Talwar
Director

B Ramaswamy
Managing Director & President

P Srikar Reddy
Sr. Vice President & Director

COMMITTEES OF THE BOARD

AUDIT COMMITTEE

S B Ghia

Pradip P Shah

Rajan B Raheja

INVESTORS GRIEVANCE COMMITTEE

S B Ghia

B Ramaswamy

M D Dalal

SOLICITORS

M/s. Crawford Bayley & Co.

M/s. Wendel Rosen Black & Dean

AUDITORS

M/s. N M Raiji & Co.

COMPANY SECRETARY

N Ebenezer Devasahayam

INVESTOR QUERIES

investor@sonata-software.com

WEBSITE

www.sonata-software.com

REGISTERED OFFICE

208, T V Industrial Estate
S K Ahire Marg, Worli, **MUMBAI**: 400 025
Tel: 91-22-24923991, Fax: 91-22-24396973
Email: janaki.gidwani@sonata-software.com

CORPORATE OFFICE

APS Trust Building
¼, Bull Temple Road,
N.R. Colony, **BANGALORE** - 560 019
Tel: 91-80-6610330, Fax: 91-80-6610972
Email: info@sonata-software.com

OFFICES

212, Carnegie Center, Suite 206
PRINCETON, NJ 08540, USA
Tel: 609 919 6325, Fax: 609 452 8467
E-mail: venkat@sonata-software.com

5, Churchill Court
58, Station Road, North Harrow
MIDDLESEX HA2 7SA, U.K
Tel: 44- 20 8863 8833, Fax: 44- 20 8863 5533
E-mail: vivek@sonata-software.com

990, Cherringham court
ALPHARETTA GA 30005 USA
Tel: 770 813 1997, Fax: 678 623 0236
Email: p.mukherjee@sonata-software.com

193, RV Road, Basavanagudi
BANGALORE - 560 004
Tel: 91-80-6575800, Fax: 91-80-6567487
Email: info@sonata-software.com

208, T V Industrial Estate
S K Ahire Marg, Worli, **MUMBAI**: 400 025
Tel: 91-22-24923991, Fax: 91-22-24396973
Email: rohit.hakhu@sonata-software.com
Email: sivaji.biswas@sonata-software.com

Flat # 402, 4th Floor Varadhan Building
25 A Camac Street, **KOLKATA**: 700 016
Tel: 91-33-22474119, Fax: 91-33-22403948
Email: raja.chanda@sonata-software.com

C, I Floor, Ali Towers
No.55, Greames Road, **CHENNAI**: 600 006
Tel: 91-44-28290552, Fax: 91-44-28291708
Email: vaidyanathan.cr@sonata-software.com

102, 103, 104 Padma Tower II,
22, Rajendra Place, **NEW DELHI**: 110 008
Tel: 91-11-25766734, Fax: 91-11-25766738
Email: rajeev.kumar@sonata-software.com
Email: rajsekhar.roy@sonata-software.com

1, Samar Paradise
D.P. Road, Aundh, **PUNE**: 411 007
Tel: 020 5884637 Fax: 020 5883233
Email: vishwanathan.iyer@sonata-software.com

Surya Towers, 6th Floor, Block F, 105,
Sardar Patel Road, **SECUNDRABAD**: 500 003
Tel: 91-040 27899068, Fax: 040 27845321
Email: ganesh.n@sonata-software.com

SUBSIDIARY COMPANIES

Sonata Information Technology Limited
208 T V Industrial Estate
S K Ahire Marg, Worli, **MUMBAI**: 400 025
Tel: 91-22-24923991, Fax: 91-22-24396973
Email: sitl@sonata-software.com

AUDITORS: M/s. N M Raiji & Co.

Abisko Development Limited
29A Annis Komninis Street
NICOSIA, CYPRUS

AUDITORS: Ernst & Young.

Offshore Digital Services Inc.,
14798, Wicks Boulevard,
SAN LEANDRO CALIFORNIA: 94577, USA
Tel: 510 618 1213 Fax: 510 483 1819
E-mail: akumar@odsi.com

AUDITORS: Wilson Markle Stuckey Hardesty & Bott

Sonata Software Ltd.,

A.P.S. Trust Building,

Bull Temple Road,

N.R. Colony,

Bangalore - 560 019,

India

Web: www.sonata-software.com