

SONATA



SONATA SOFTWARE

**Challenging Times.
Timeless Value.**

SONATA



SONATA

annual report 2007-2008

Sonata Software Limited

P e r f o r m a n c e H i g h l i g h t s

(Rs. in million)

PARTICULARS	CONSOLIDATED		SONATA		CONSOLIDATED		SONATA	
	Quarter ended on 31.03.2008	Quarter ended on 31.03.2007	Quarter ended on 31.03.2008	Quarter ended on 31.03.2007	Year ended on 31.03.08	Year ended on 31.03.2007	Year ended on 31.03.2008	Year ended on 31.03.2007
TOTAL INCOME	3,890.76	3,606.38	552.58	498.98	14,594.27	9,175.85	2,011.03	1,882.34
EXPORTS	2,192.58	2,130.21	538.26	498.69	8,376.98	4,878.79	1,988.20	1,858.29
EBIDT	343.89	360.94	137.16	102.76	1,425.27	986.64	491.45	443.51
PROFIT AFTER TAX	168.98	128.24	105.67	72.54	585.19	480.28	366.89	351.29
FIXED ASSETS	1,837.30	1,897.15	293.10	313.67	1,837.30	1,897.15	293.10	313.67
TOTAL DEBT	283.44	581.22	-	-	283.44	581.22	-	-
NET WORTH -CLOSING	2,288.53	1,867.57	1,992.33	1,785.31	2,288.53	1,867.57	1,992.33	1,785.31
EQUITY	105.16	105.16	105.16	105.16	105.16	105.16	105.16	105.16

PARTICULARS	CONSOLIDATED		SONATA		CONSOLIDATED		SONATA	
	Quarter ended on 31.03.2008	Quarter ended on 31.03.2007	Quarter ended on 31.03.2008	Quarter ended on 31.03.2007	Year ended on 31.03.08	Year ended on 31.03.2007	Year ended on 31.03.2008	Year ended on 31.03.2007
EXPORTS INCOME/TOTAL INCOME	56.35%	59.07%	97.41%	99.94%	57.40%	53.17%	98.86%	98.72%
DOMESTIC INCOME/TOTAL INCOME	42.41%	38.78%	-	-	40.47%	44.67%	-	-
OTHER INCOME/TOTAL INCOME	1.24%	2.15%	2.59%	0.06%	2.13%	2.16%	1.14%	1.28%
OPERATING EXPENSES / TOTAL INCOME	53.70%	54.46%	74.47%	77.03%	52.97%	48.19%	74.78%	74.30%
EBIDT/TOTAL INCOME	8.84%	10.01%	24.82%	20.59%	9.77%	10.75%	24.44%	23.56%
PAT/TOTAL INCOME	4.34%	3.56%	19.12%	14.54%	4.01%	5.23%	18.24%	18.66%
DEBT: EQUITY ¹	0.12	0.31	-	-	0.12	0.31	-	-
DEBTORS NO. OF DAYS	57	50	65	66	61	79	70	71
RETURN ON AVG NETWORTH ²	30.11%	27.87%	21.35%	16.25%	28.16%	28.34%	19.42%	20.95%
RETURN ON AVG CAPITAL EMPLOYED ³	28.06%	23.70%	21.35%	16.52%	25.29%	25.59%	19.49%	21.25%
EPS (Annualised) (on Re.1/per share) ⁴	6.43	4.88	4.02	2.76	5.56	4.57	3.49	3.34
BOOK VALUE PER SHARE -(Rs) ⁵	21.35	17.50	18.83	16.98	19.76	16.11	17.96	15.94

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).

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

⁵ Average Networth divided by No. of equity shares.

Challenging Times. Timeless Value.

Over the year just passed, the core values which we've long sustained have, in turn, sustained us through testing circumstances.

It was an eventful year marked by several reversals in the global economy. The Rupee appreciated; costs appreciated; the sub-prime crisis occurred; there was dire talk of an impending US recession; and markets have been extremely wary and cautious.

Industry reactions are mixed. They range from a belief that the dot-com bust years could be upon us again; all the way to the optimistic conviction that this could, in fact, be a most opportune moment for Indian IT, as companies world-wide could leverage offshoring to improve their business.

For Sonata Software, this last year has been the best year yet. We've not only ridden out the storm unscathed, but continue undaunted on our progression towards long-term growth through aggressive expansion.

The bedrock principles which Sonata has pursued zealously over the years have proven their lasting worth. Our ability to prevail and prosper is grounded in our continuing efforts to meet and exceed the expectations of our four stakeholders: customers, partners, shareholders and employees.

These are the relationships which survive, and give us the power to endure.

SONATA

Remaining first in value that lasts

For our customers, our focus has been on providing enduring value. Sonata has been firm in its commitments, while remaining open and flexible in adopting new solutions.

True, it's a demanding business environment, whose circumstances and climate are in a state of perpetual change and flux; but our sights have been set primarily on the larger and longer view, and on sustainable value creation.

The key is not just surviving, but thriving

Our stakeholders' expectations presume our own sustainability as a company. That's a concern which we continually address with a set of long-term strategic priorities.

Key among these are an on-going focus on emerging opportunities; a de-risked portfolio; differentiated offerings to a variety of segments; the targeting of repeat customers; the forging of unique long-term relationships; and the continued motivation of a zealous and committed team. They all add up to the robust strategies designed for the flexibility and agility necessary to ride out any passing turbulence, adjust for market imbalances, and protect investors' interests.

Not for us the short-term 'fix', or the reactive measure based on expediency; even our global alliances are carefully conceived and nurtured as bedrock extensions of Sonata. These include our lengthy partnering with Microsoft both at home and overseas; and our strategies for leveraging local entities to look after their respective geographies. SITL has been our India arm for over 21 years, ODSI has handled our US interests over the last 18 years and respective local entities have handled our Europe and Germany business for the last 16 and 5 years respectively.

Obviously, sharp and sensible judgment comes into play in the choice of business directions. For example, Sonata is not only a leader in Product Engineering Services (catering to independent software vendors), but also balances its offerings in providing software services to enterprises. Both segments receive the most unfailing benefit and value by virtue of the expertise we command. Similarly, we are equally focused on the US, Europe and India markets; helping create a de-risked business model which allows us to alter allocations and deployments to suit changing circumstances.

SONATA



Getting extraordinary things done by our people

At the core of Sonata is a team of passionately gung-ho Sonatians. They're diverse in their worldwide origins, and in the languages they speak; and yet share a common set of values. They're bound by the belief that anything is possible once they put their minds to it; that real-life too has reliable algorithms for every goal and mission. Every new challenge summons forth a new leader, enhancing a corps of employees who are not just our prime resources, but our most effective ambassadors.

It's very significant that Sonata has one of the most loyal and committed teams in the industry. What makes them stick is directly tied to the empowerment by which Sonata makes them tick.

For some, the prime attraction could be the chance to work on cutting-edge technologies. Others relish the confidence the company places on their leadership. Yet others flourish in the high-energy work environment which also permits a satisfying work-life balance. All of them appreciate Sonata's initiatives to be an employer of choice; its innovative ways to realize the aspirations of Sonatians.

It's a performance-oriented culture in which exceptionally good work is rewarded over and above the long-term benefits.

We've acted on our hopes, not reacted to our fears

It's been a busy year filled with many positive steps. Our several growth engines have adjusted to the tenor of the times, and are humming nicely. Following our merger with TUI of Europe, we've completed our integration processes and achieved all the necessary synergies, resulting in a fully self-standing and self-sufficient JV.

Several of our customers have in fact scaled up their business with Sonata, and are looking at opportunities to ramp it up even further. We've even taken up considerably larger premises in anticipation of growth; that's part of the message to stakeholders – including prospective employees – that's cheerful, upbeat and optimistic.

From principled values, the promise of value

Value that Endures is not only a way of life at Sonata, it is also a promise that we make to our stakeholders and ourselves. It's the creed that guides us in our day-to-day work life in Sonata, no matter what our role or function. When we make a promise to a customer, nothing stands in the way of making good on that commitment. It is this promise of stability that has earned us distinguished long-standing customers worldwide. Similarly, we stand committed to promises made to our partners and business associates.

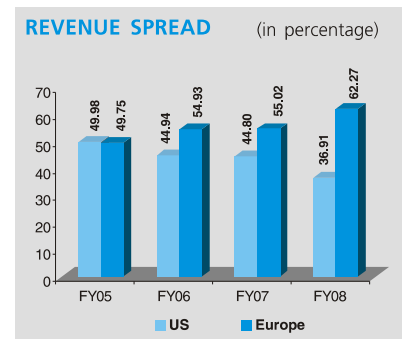
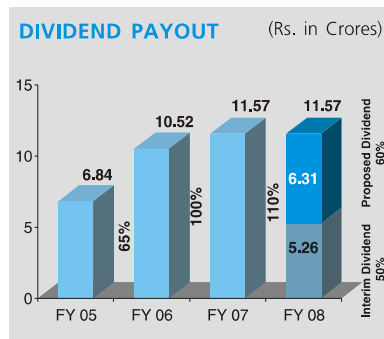
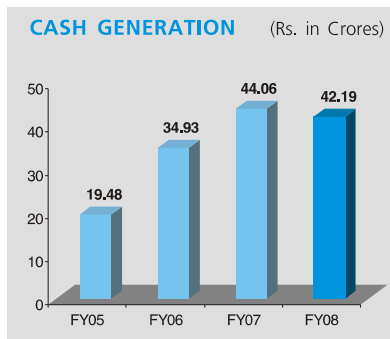
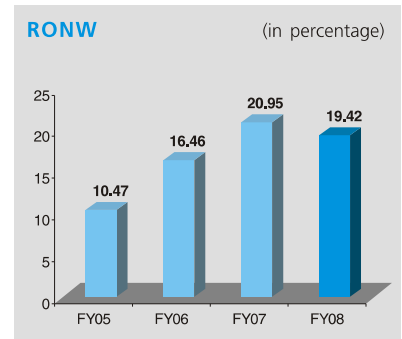
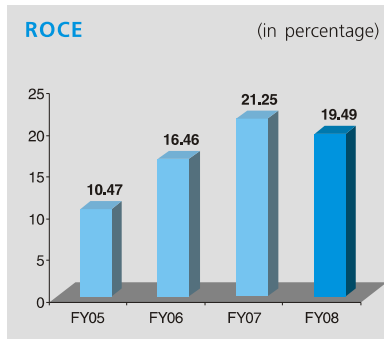
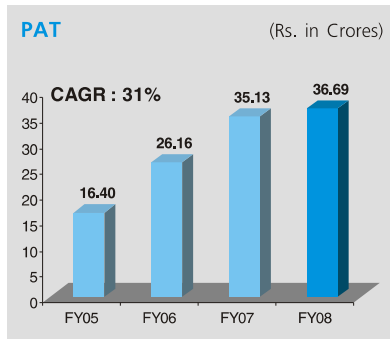
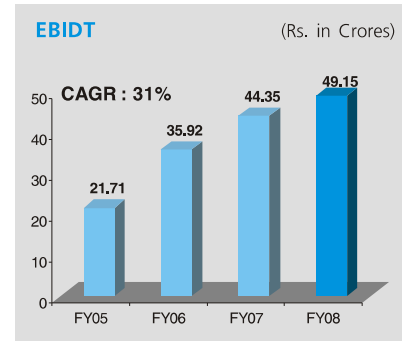
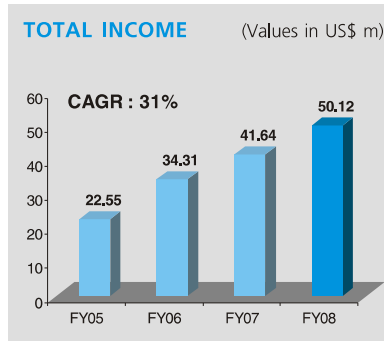
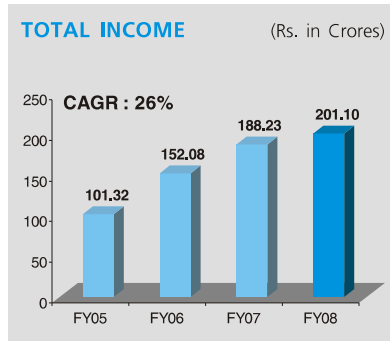
Challenges and hazards come and go. Our preparedness lies in the deeply-rooted code by which we function, the standards that we live up to, the commitments and expectations that we honour. So long as they endure, Sonata endures.





Financial Highlights

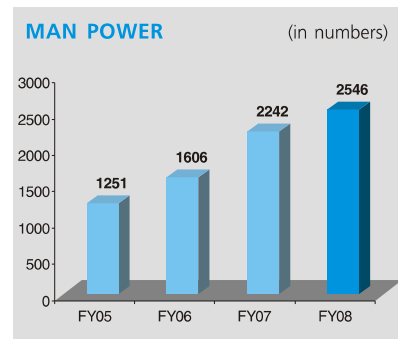
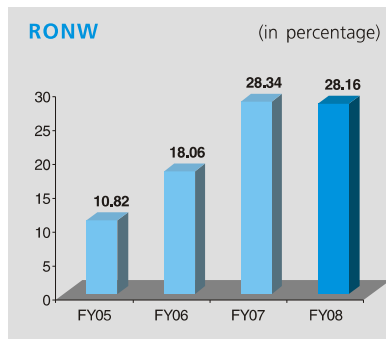
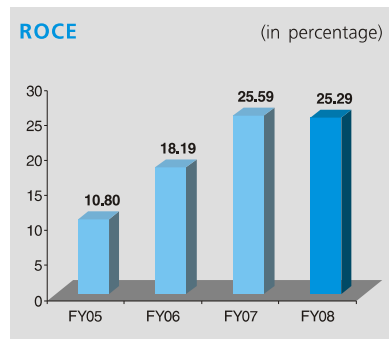
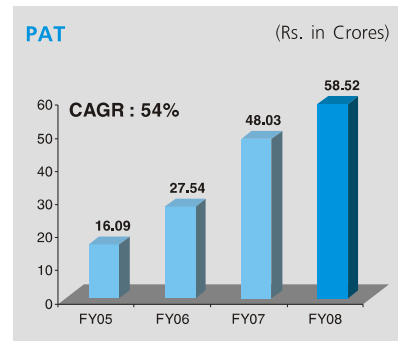
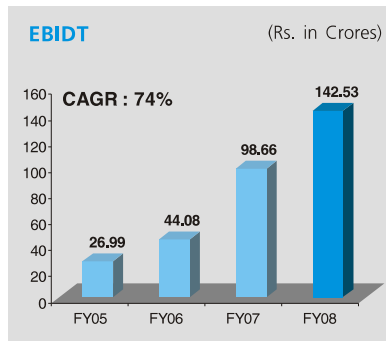
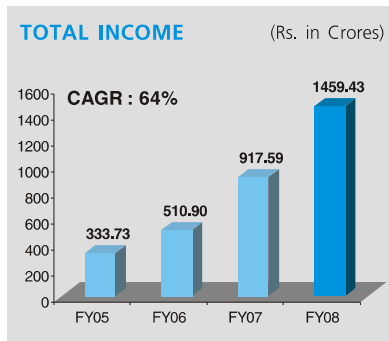
SONATA SOFTWARE LIMITED



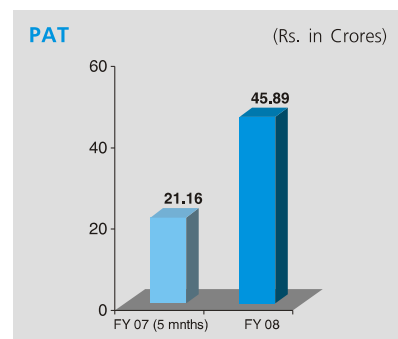
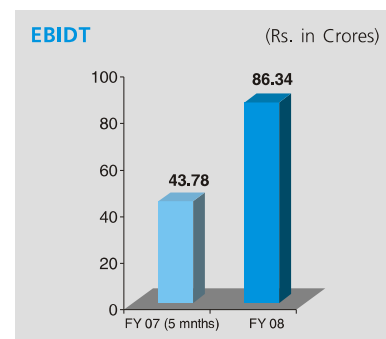
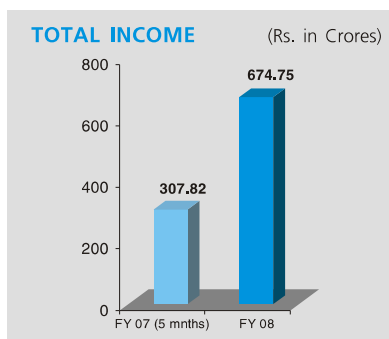
Financial Highlights

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SONATA SOFTWARE LIMITED - CONSOLIDATED



TUI InfoTec GmbH

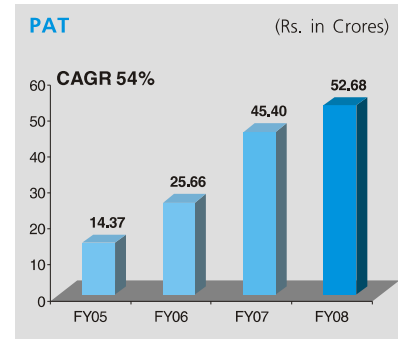
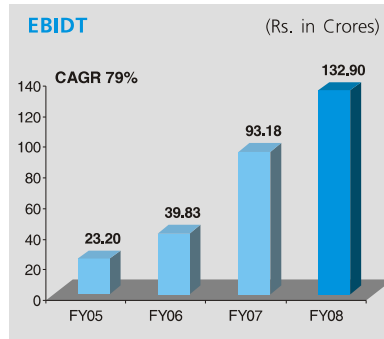
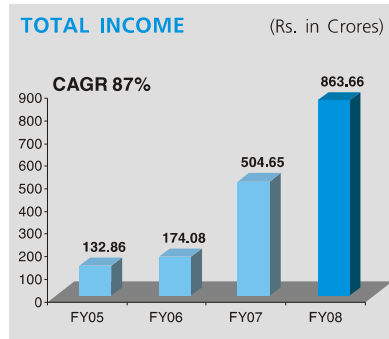




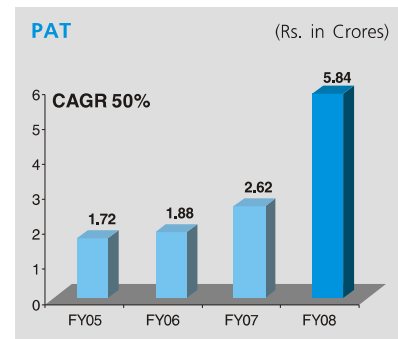
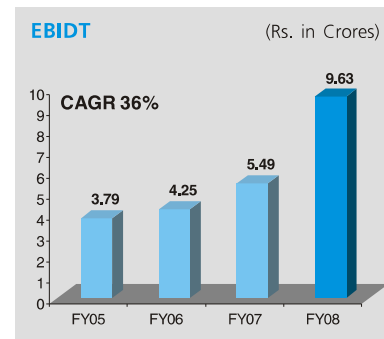
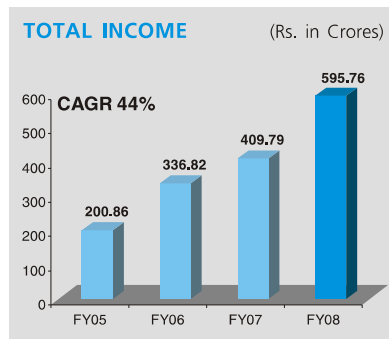
Financial Highlights

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INTERNATIONAL



DOMESTIC



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Sonata Software Limited

DIRECTORS' REPORT

TO THE MEMBERS OF SONATA SOFTWARE LIMITED

Your Directors have pleasure in presenting the Thirteenth Annual Report of your Company together with the Audited Statement of Accounts for the financial year ended 31st March, 2008.

FINANCIAL HIGHLIGHTS

(Rs. in million)

Particulars	Year ended 31.03.2008	Year ended 31.03.2007
1. Total Income	2011.03	1882.34
2. Total Expenditure	1519.58	1438.83
3. Profit before Interest, Depreciation & Tax	491.45	443.51
4. Interest	1.15	5.01
5. Depreciation	94.53	91.06
6. Profit Before Tax	395.77	347.44
7. Provision for Tax	75.14	(3.85)
8. MAT Credit	(46.26)	-
9. Profit after Tax	366.89	351.29
10. Appropriations :		
Proposed Dividend	63.10	63.10
Interim Dividend	52.58	52.58
Provision for Dividend Tax	19.66	18.10
Transfer to General Reserve	40.00	40.00

DIVIDEND

Your Directors are pleased to recommend payment of a final dividend of Re.0.60/- per equity share (@60% on par value of Re.1/- each), subject to the approval of shareholders, which along with the interim dividend of Re.0.50 per equity share adds upto a total dividend of Rs.1.10/- per equity share (Previous year - Rs.1.10/- per equity share of Re.1/- each).

If approved, the final dividend will be paid to all those equity shareholders whose names appear on the Register of Members of the Company on 1st June, 2008 and to those whose names appear as beneficial owners in the records of National Securities Depository Ltd and Central Depository Services (India) Ltd as on the said date.

INVESTMENTS

During the year under review, your Company invested Euro 4.5 mn in Sonata Europe Ltd, wholly owned subsidiary of the Company to acquire 33,76,300 2% non-cumulative convertible redeemable preference shares of 1 Pound each (fully paid).

QUALITY

Quality continues to be a way of life in your Company. During the year under review, the Quality Management System has gone through significant changes to keep pace with the demands of changing times. The fact that these changes have spanned various functions reflects on the importance given to each of them. New initiatives have been taken up in line with industry best practices.

Use of quantitative techniques for operational control has been the key to consolidation of metrics gaining momentum. Employees are being looked at as "internal customers" and hence their level of satisfaction with internal service functions is being measured. Your Company's external auditors have commended the "Well structured QMS" and the good commitment on the process team activities.

SEBI REGULATION & LISTING FEES

Your Company's Annual Report, Corporate Governance Report, Shareholding Pattern, etc. can also be accessed at the SEBI's website www.sebiedifar.nic.in.

The Annual listing fees for the year under review has been paid to Bombay Stock Exchange Ltd, 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. The Consolidated Accounts of your Company and its subsidiaries viz., Sonata Information Technology Ltd, Offshore Digital Services Inc., USA, Sonata Software GmbH, Germany, Sonata Europe Ltd, UK and TUI InfoTec GmbH, Germany are presented as part of this Report in accordance with Accounting Standard 21.

Your Company has been exempted by the Ministry of Corporate Affairs, vide letter No.47/127/2008-CL-III dated 7th March, 2008 from attaching the audited accounts of overseas subsidiary companies for the financial year ended 31st March, 2008. Accordingly, the audited accounts of the

above mentioned overseas subsidiary companies are not attached. However, they are available on the Company's website www.sonata-software.com.

The audited accounts of overseas subsidiaries are also kept for inspection by any investor at the Company's Registered office and copies will be made available on request to the investors of the holding and subsidiary companies at any point of time.

RECOGNITION

During the year under review, your Company was chosen as one of the most recognized 4Ps Power Brand 2007 in "20 Best IT Companies of India". Your Company was a winner in the Deloitte Technology Fast 50 India 2007 program and in the Deloitte Technology Fast 500 Asia Pacific 2007 program. These programs recognize the fastest growing and most dynamic technology companies in India /Asia Pacific region.

CORPORATE GOVERNANCE

As required under Clause 49 of the Listing Agreement with Stock Exchanges, a Report on Corporate Governance is provided elsewhere in this Annual Report alongwith the 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 2007-08, 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 for 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, 2008 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 CONSERVATION, RESEARCH & DEVELOPMENT, FOREIGN EXCHANGE

The 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, with regard to conservation of energy, research & development and foreign exchange earnings & outgo are set out in the annexure attached to this Report.

Your Company has nothing to report on Technology absorption, adaptation and innovation.

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 attached to this Report.

COMMUNITY SERVICE

During the year under review your Company and its employees were part of the following activities :

- Donated clothes to Diya Foundation (an NGO from Bangalore for the specially-abled adults), Anatha Shishu Vihar and Missionaries of Charity Sick & Dicing Home.
- Sponsored monthly salaries of seven Teachers of Rasoolpura Government High School through BHUMI, an NGO based at Hyderabad. Rasoolpura is the largest urban slum in Hyderabad. It is estimated to house 1,00,000 residents (officially), including 20,000 children. BHUMI has taken up the task of enriching the lives of people in this slum. In particular they have adopted the Rasoolpura Government High School, which is the only Government School in the area.
- Conducted an exhibition cum sale of articles such as cards, diyas, and handmade paintings etc., made by children associated with NGO's like "Saaransh" & "Diya Foundation"
- Donated note books and money to fund the education of several Government schools in the rural area through RK Foundation (an NGO from Bangalore)
- Scholastic Society was given an opportunity to conduct a Book fair for our employees. Certain percentage of money collected on each book was used by Scholastic society for funding social initiatives.

DIRECTORS

Mr. Rajan B. Raheja ceased to be a Director of the Company with effect from 9th April, 2008. Mr. Viren Rajan Raheja was co-opted as an Additional Director of the Company at the Board Meeting held on 17th April, 2008 holding office upto the ensuing Annual General Meeting. Your approval is sought for appointing him as Director whose office shall be liable to retire by rotation.

Mr.S.N.Talwar and Mr.P.Srikar Reddy, Directors, retire by rotation and being eligible, offer themselves for re-appointment at the ensuing AGM. Brief profile of these Directors are given in the notes to the Notice of the ensuing AGM.

AUDITORS

M/s N.M.Raiji & Co., Chartered Accountants, Mumbai, Statutory Auditors of the Company retire at the forthcoming Annual General Meeting and have expressed their willingness to continue as Statutory Auditors for financial year 2008-09 and accordingly, a resolution proposing their appointment is being submitted to the Annual General Meeting.

ACKNOWLEDGEMENTS

Your Directors would like to place on record their gratitude for all the guidance and co-operation received from all its clients, vendors, bankers, financial institutions, business associates, advisors, regulatory and government authorities.

Your Directors also take this opportunity to thank all its investors and stakeholders for their continued support and all the Sonatians for their valuable contribution and dedicated service.

For and on behalf of the Board

Place : Mumbai
Date : 17th April, 2008

S.B.GHIA
Chairman

Sonata Software Limited

ANNEXURE TO THE DIRECTORS' REPORT

Particulars pursuant to Companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988.

1. CONSERVATION OF ENERGY

The operations of your Company do not consume high levels of energy. Adequate measures have been taken to conserve energy by using energy-efficient computers and equipments with the latest technologies. Your Company is on the constant look out for newer and efficient energy conservation technologies and introduces them appropriately. As the cost of energy consumed by the Company forms a very small portion of the total costs, the financial impact of these measures is not material.

2. RESEARCH AND DEVELOPMENT (R & D)

During the year under review, your Company's CRG (Core Research Group) focused on newer technologies that will have a major impact on the global technology landscape with the objective of increasing the sales volumes and improving delivery capability.

a) Specific areas for R&D at Sonata :

(i) New Technology Competency

Your Company's focus during the year under review was on technologies in the areas of the new web technologies - OpenXML, Web 2.0, Enterprise 2.0 and on the new collaboration and portal technologies launched by Microsoft. Your Company has developed commercial applications based on MOSS technologies called as "Sonnetportal" and deployed them for various clients. This has helped to ensure your Company stays ahead in the technology curve in terms of web development. Your Company took technology leadership in the OpenXML and we are happy that your Company is amongst the two companies in the World with these skill sets and we are preparing for leveraging the same.

(ii) Vertical solutions

Your Company continues to develop vertical solutions in the construction space. Our application Sonnetconstruct built on Microsoft Dynamics Ax is implemented on few large infrastructure companies and your Company is getting many enquiries not only from the Indian market but also from international markets.

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

Your company is presently marketing Sonnetconstruct and SonnetPortal and has won clients for both those services. These have proven to be a good entry solution in acquiring enterprise clients. OpenXML competency has given access to work with various Microsoft subsidiaries across the world.

c) Future Plan of action

Focus of CRG in the current year is to continue to work on SOA (Service Oriented Architecture), SaaS (Software as a Service), Daisy for providing accessibility for applications. Your Company is also planning to focus on niche technologies in couple of vertical segments.

d) Expenditure on R&D

R&D is carried on by the Company as a part of ongoing software development activity and the expenditure thereof is considered as part of operating expenditure. Hence, there is no amount that can be shown separately under the head of R&D expenses.

3. FOREIGN EXCHANGE EARNINGS AND OUTGO / INITIATIVES TO IMPROVE EXPORTS

During the year under review, 100% of the revenue came from exports of developed software and related services to clients in USA, U.K, Australia, Belgium, France, Germany, Iceland, Italy, Japan, Netherlands, Switzerland, Sweden, Denmark and South Africa.

Foreign Exchange outgo on account of Travelling, Professional Charges, Subsistence/Living cost, overseas salaries, Import of capital goods, etc was Rs.544.67 Mn and foreign exchange inflow on account of export of software services (net) was Rs.1988.20 Mn.

Your Company has during the year under review made significant strides in its International business development efforts mainly through marketing activities like participation in international events viz., Starwest, Microsoft Convergence etc, telemarketing campaigns and through public relation activities to ensure high visibility and new prospect generation. Your Company has invested in adding on local sales persons in USA as well as UK, who are responsible for sales to new clients. Your Company has also



Sonata Software Limited

Annexure to the Directors' Report (Contd.)

beefed up its onsite account management teams focused on its existing clients. Your Company has also made further progress in its alliance relationship with Microsoft by expanding its co-operation into the information worker go to market initiative around MOSS and Office 2007.

During the year under review, your Company has also set up a product management function to actively benchmark its service offerings with the needs of the target segment as well as competition, thereby ensuring a differentiation to target clientele.

Your Company's subsidiary TUI InfoTec GmbH, Germany has also established a sales and marketing team during the year under review and has won external client business, which will translate into an offshore business to your Company.

4. A detailed Management Discussion and Analysis Report is attached.

For and on behalf of the Board

Place : Mumbai
Date : 17th April, 2008

S B GHIA
Chairman

Information u/s 217(2A) of the Companies Act, 1956 - read with the Companies (Particulars of Employees) Rules 1975 as amended and forming part of the Directors' Report for the year ended 31st March, 2008.

Sl. No.	Name	Age (Years)	Qualification	Designation & Nature of Duties	Remuneration (Rs.)	Experience (Years)	Date of Joining	Previous Employment
1	B Ramaswamy	54	M.Sc (Agri) PGDBM (IIM)	Managing Director & President	12,084,888	31	01.10.86	General Sales Manager Voltas Limited
2	P Srikar Reddy	50	BE (Electrical) PGDBM (IIM)	Executive Vice President & Chief Operating Officer	7,152,602	26	02.04.86	Manager - Systems & projects Betamatics Pvt. Ltd. (1 Year)
3	Anirudha Banerjee	52	Bsc (Engg) - Elec	Vice President Embedded Solutions	3,187,700	29	14.09.01	Chief Operating Officer eSols Worldwide Ltd.
4	P V S N Raju	43	B. Tech PGDIE	Vice President Core Research Group	4,007,691	20	01.02.88	Nil
5	V A Ramakrishna*	50	MBA(IIM)- B.Tech	Vice President Marketing	1,981,261	23	29.03.93	Regional Sales Manager HCL Limited
6	N Sridhara	50	BE (Electronics)	Associate Vice President Project Office & Infrastructure	2,454,855	26	24.02.97	General Manager HMT Limited
7	C Padma	46	M. Tech (IIT)	Associate Vice President Projects	2,647,738	23	31.08.94	Manager Computer Services Hidustan Aeronautics Ltd.
8	S Ganesh	43	CA & ACS (Inter)	Associate Vice President Human Resources	2,704,511	21	29.04.98	Senior Manager BPL Telcom Business Group
9	V Rajakanth Kamath	45	BE(E&C), MS(CS)	Associate Vice President Projects	2,555,221	20	18.03.98	Senior Systems Limited Copy Cat Limited
10	C V Narayanan	43	M. Tech (Commn Engg) IIT Bombay	Associate Vice President Projects	3,393,265	20	01.06.98	Senior System Analyst Institute of Banking Studies
11	D Gnaneshwar	41	AMIE	Associate Vice President Projects	2,527,414	17	10.08.05	Senior Vice President Visual Soft Technologies
12	M Ashoka	49	M. Tech (IIT Bombay)	Associate Vice President Quality, Training & Technology Architecture	2,587,384	24	07.03.91	Asst. Manager R&D HCL Limited
13	Premnath Murthy	46	ICWAI & B.Sc	Asst. Vice President Projects	2,417,556	19	02.03.92	Senior Executive Finance V & I Softwares Pvt Ltd
14	R Sathyararyana	43	CA	Associate Vice President Finance & Accounts	2,659,054	17	06.02.97	Manager Accounts & Finance BPL Refrigeration Ltd
15	K Srihari	40	B.E. (Mech)	Associate Vice President Sales & Marketing, Europe & Microsoft Alliance	2,594,036	17	03.12.90	Nil

* Employed for part of the year.

Notes :

1. Remuneration includes Basic Salary, Allowances, Incentives, Commission, Company's contribution to PF, Superannuation Fund and taxable value of perquisites.
2. All appointments are contractual.
3. None of the employees are related to any Director of the Company.
4. The shareholding of Mr. B Ramaswamy (alongwith his spouse) in the Company is 22,59,000 shares (2.15%). None of the other employees own more than 2% of the outstanding shares of the Company as on 31st March, 2008.

Sonata Software Limited

MANAGEMENT DISCUSSION AND ANALYSIS REPORT (MDA)

a. Industry structure and developments

India continues to offer and deliver the best 'bundle' of benefits sought from global sourcing. With significant potential still untapped, it is expected that the global sourcing phenomenon will continue to expand in scope, scale and geographic coverage. As global delivery matures, multi-location strategies will become the norm and most sourcing destinations, including emerging locations, will grow in size. Strong fundamentals of a large talent pool, sustained cost competitiveness and an enabling business environment will help India sustain its position as the preferred sourcing destination.

NASSCOM's Annual Study, Strategic Review 2008 shows the Indian IT-BPO industry to be in great health, but says, things could be even better. Despite a slowing economy, financial sector crisis in the US, and sharp appreciation of the Rupee against the Dollar, the industry showed grit, logging in double-digit revenue growth. The robust performance was accounted for by more diversified geographic market exposure, continued expansion of the service portfolio of IT-BPOs, steady growth in scale by Indian-origin service providers as well as Multinational Corporations (MNCs) having operations in India and the sector's strong and sustainable value proposition.

b. Opportunities and threats

Your Company is a leading player in the Offshore Product Development (OPD) space. The industry revenue in OPD space is growing at a rate of 36% and is expected to touch \$8-11bn in 2008, as per the forecast provided by NASSCOM & McKinsey. The complexity and quantum of work offshored by product engineering firms is expected to increase significantly in the coming years and this presents a huge opportunity for OPD players such as Sonata. Even product companies which have captive R&D units are moving to a hybrid model, where they leverage third-party service providers to achieve rapid scale, innovation and operational efficiencies. Sonata's product development background, our sterling track record with several product companies and focused service offerings that straddle the entire product lifecycle, positions us well to address this opportunity. Our customers can also benefit from our practical experience in implementing software products in enterprises. We term this "Product Engineering Driven by Insight".

Threat continues to be competition among companies within India and from emerging low cost destinations.

c. Segment wise performance

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

d. Outlook

Your Company will be setting up a new software development facility, its fourth in Bangalore, in the Global Village SEZ. The three existing facilities in the city, with a combined area of 1,24,000 sq-ft. seating 1200 employees, are already full. The new facility is envisaged to be expanded in phases, initially from 20,000 sq-ft. to a fully-developed facility of 1,00,000 sq-ft. It will house an additional 800 employees, and will involve an investment of Rs 20 Crores.

In addition to the facilities in Bangalore, your Company currently has a facility in Hyderabad, which can seat 800 people. This is also nearing full capacity. For expansion in Hyderabad, your Company has already been allotted a seven-acre land in an SEZ, which when fully developed will accommodate an additional 2000 people.

Apart from expanding the facilities to meet the requirements from the growth both from existing as well as new customers, your Company has also identified various areas which will drive the Company's growth plans. Some of the key growth drivers are Domain expertise, enhancement of service portfolio to clients, tap new geographies, strengthening marketing teams and inorganic initiatives.

e. Risks and concerns

The main risks causing concern to the IT Industry and your Company as well are Economic slowdown, ability to attract and retain talent, withdrawal of Tax benefits, Currency Exchange risks, High Customer concentration, etc.

Your Company has a Risk Assessment and minimization process, which is monitored on a periodic basis. Various risks that are closely monitored are Business risks i.e. Client concentration risk, geographical risk, competition risk and Financial risk mainly in the area of foreign currency fluctuations.

f. Internal control systems and their adequacy

Your Company maintains adequate internal control systems commensurate with the Company's size and business, which provide, among other things, reasonable assurance of recording the transactions of its operations in all material aspects and of providing protection against misuse or loss of Company's assets. The systems and processes are continually reviewed for its effectiveness and augmented by documented policies and procedures.

g. Material developments in Human Resources

Human resource functions and initiatives of your Company to attract, train, retain and motivate employees are driven

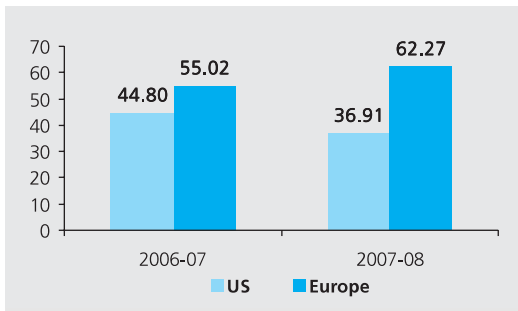
by a strong set of values and policies. Your Company has taken all adequate and necessary steps from time to time to maintain a competitive, healthy and harmonious work environment at all levels.

To pursue the growth plans of the Company, efforts continue for increasing the manpower strength and retaining the good talent. During the year under review, the manpower strength has increased from 1635 to 1878 as of 31st March, 2008.

h. Financial highlights

1. Revenues

The European business has shown a steady growth. Revenue from Europe is 62.27% and US is 36.91% for the year ended 31st March, 2008 as compared to 55.02% from Europe and 44.80% from US for the same period last year. Your Company's strategy of building strong delivery capability with its multi-pronged emphasis on technology, people & processes has resulted not only in increased business from existing customers but also in new customer acquisition.



2. Operating Expenses

The ratio of operating expenditure to total income has increased by 0.48% over the same period last year.

3. EBIDT

The EBIDT was at 24.44% for the year ended 31st March, 2008 as compared to 23.56% for the same period last year.

4. Profit after Tax

Profit after Tax was at 18.24% for the year ended 31st March, 2008 as compared to 18.66% for the same period last year.

5. Interest and Borrowings

The Company was debt free as on 31st March, 2008 and had a Net Cash balance of Rs. 153.36 million (includes investment in Mutual Funds). During the year the

Company has incurred interest cost of Rs.1.15 Million on its Working Capital facility.

6. Capital Employed

The Return on Average Capital Employed (ROCE) for the year ended 31st March, 2008 was 19.49% as compared to 21.25% for the same period last year.

7. Net Worth

The Return on Average Net Worth (RONW) for the year ended 31st March, 2008 was 19.42% as compared to 20.95% for the same period last year.

8. Fixed Assets

The Company added to its fixed assets Rs. 80.28 million. The additions were mainly incurred for the new facilities at Hyderabad.

9. Receivables

Debtors as number of days' sales stood at 70 days for the year ended 31st March, 2008 as compared to 71 days for the same period last year.

10. Cash Generation

Cash generated from operations was Rs.421.95 million for the year ended 31st March, 2008

11. Manpower

The total employee strength as on 31st March, 2008 was 1878 as against 1635 as on 31st March, 2007.

PERFORMANCE SUMMARY

1. Revenue

Revenue increased by 7% at Rs.1988.20 million for the year ended 31st March, 2008 as compared to Rs.1858.29 million for the same period last year.

2. EBIDT

EBIDT was Rs. 491.45 million for the year ended 31st March, 2008 as compared to Rs. 443.51 for the same period last year.

3. Profit After Tax (PAT)

- a. PAT stood at Rs. 366.89 million for the year ended 31st March, 2008 as compared to Rs. 351.29 million for the same period last year.
- b. Profit Margin was at 18.24% for the year ended 31st March, 2008 as compared to 18.66% for the same period last year.

4. Cash Generation

Cash generation was Rs.421.95 million for the year ended 31st March, 2008 as compared to Rs. 440.61 million 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, 2008, 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.

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

Mumbai
17th April, 2008

Y. N. Thakkar
Partner
Membership No.33329

DECLARATION

(As required under Clause 49 of the Listing Agreement in relation to Code of Conduct)

I, B Ramaswamy, Managing Director & President of Sonata Software Ltd., to the best of my knowledge and belief, hereby declare that all board members and senior management personnel have affirmed compliance with the code of conduct for the year ended 31st March, 2008.

Mumbai
17th April, 2008

B Ramaswamy
Managing Director & President

Sonata Software Limited

REPORT ON 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."

II. BOARD OF DIRECTORS

The Board of Directors of Sonata comprises of eight Directors of whom three are promoter directors, two are executive directors and three independent directors. None of the Directors are related to each other.

During the financial year 2007-08, 4 meetings of the Board were held. These meetings were held on 3rd May, 2007, 16th July, 2007, 22nd October, 2007, and 23rd January, 2008.

Details of Directors and other particulars are given below :

Name	Designation	Category	Equity shareholding in the Company
S B Ghia	Chairman	Promoter Director	14,600
M D Dalal	Executive Vice Chairman	Promoter Director	12,94,600
Rajan B Raheja	Director	Promoter Director	47,87,450
Pradip P Shah	Director	Independent Director	Nil
B Ramaswamy	President & Managing Director	Executive Director	20,65,000
P Srikar Reddy	Executive Vice President & COO	Executive Director	10,32,300
S N Talwar	Director	Independent Director	25,000
B K Syngal	Director	Independent Director	Nil

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	No. of Committee memberships in all Public Companies@
S.B.Ghia	4	4	Yes	5	9
M.D.Dalal	4	4	Yes	1	2
Rajan B Raheja	4	3	No	11	5
Pradip P Shah	4	4	Yes	13	10
B Ramaswamy	4	4	Yes	1	1
P Srikar Reddy	4	4	No	1	1
S N Talwar	4	3	Yes	13	10
B K Syngal	4	3	Yes	3	5

@ Board Committees for this purpose includes Audit Committee, Remuneration Committee and Shareholders'/Investors' Grievance Committee. None of the above Directors is Chairman in more than five Committees.

III. AUDIT COMMITTEE
Terms of Reference

The Audit Committee has inter alia the following mandate :

1. To oversee the Company's financial reporting process and disclosure of its financial information to ensure the financial statements are correct, sufficient and credible.
2. To recommend appointment and removal of the Statutory Auditors, fixation of audit fees and also approve payment for other services rendered.
3. To review the adequacy of internal control systems with the Management, Statutory and Internal Auditors.
4. To review, with the Management, the audited quarterly, half-yearly and annual financial statements before submission to the Board for approval.
5. To review the Company's financial and risk management policies.
6. To review statement of significant related party transactions, management letters / letters of internal control weaknesses and appointment, removal and terms of remuneration of the Chief Internal Auditor.

Composition

- B K Syngal - Chairman (Independent Director)
 S B Ghia - Member (Non-executive Director)
 Pradip P Shah - Member (Independent Director)

Secretary

- Praveen Kumar D - Company Secretary

By Invitation

- Sathyanarayana R - AVP - Finance & Accounts
 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
B K Syngal	4	3
S B Ghia	4	4
Pradip P Shah	4	4

IV. REMUNERATION COMMITTEE

Since the Company does not have a Remuneration Committee (constitution of which is a non-mandatory requirement), the details pertaining to the same are not provided.

Details of remuneration paid/payable to all the Directors for FY 2007-08

(Amount in Rs.)

Name	Salary & Perquisites	Commission	Shares issued under ESOP	Details of service contracts notice period & severance fees
S B Ghia	Nil	8,44,162	Nil	Nil
M D Dalal	Nil	13,92,867	Nil	Agreement dated 29.10.2007 valid upto 31.10.2012; Three(3) months notice period and no severance fees
Rajan B Raheja	Nil	8,44,162	Nil	Nil
Pradip P Shah	Nil	8,44,162	Nil	Nil
B Ramaswamy	83,37,278	42,20,810	Nil	Agreement dated 21.04.2005 valid upto 31.03.2010 ; Six(6) months notice period and no severance fees
P Srikar Reddy	60,24,783	21,10,405	Nil	Agreement dated 20.10.2004 valid upto 19.10.2009; Six(6) months notice period and no severance fees
Suresh N Talwar	Nil	8,44,162	Nil	Nil
B K Syngal	Nil	8,44,162	Nil	Nil

The criteria for making payments to non-executive directors viz., Mr.S B Ghia, Mr.Rajan B Raheja, Mr.Pradip P Shah, Mr.Suresh N Talwar and Mr.B K Syngal is the special resolution passed by the shareholders at their meeting held on 24th June, 2003, which authorizes the Board to pay commission to non-executive directors in such amounts or proportions which cumulatively shall not exceed 1% of the net profits of the Company in any financial year.

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 (Non-executive Director)
- M D Dalal - Member
- B Ramaswamy - Member

Secretary

Praveen Kumar D- Company Secretary

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

Praveen Kumar D, Company Secretary.

Details as to number of shareholders' complaints received, number not solved to the satisfaction of the shareholders and number of pending complaints 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
2004-05	10.06.05	M.C.Ghia Hall, Bhogilal Hargovindas Building, 18/20, Kaikhushru Dubash Marg, Mumbai -400 001	3.00 p.m.
2005-06	01.07.06	M.C.Ghia Hall, Bhogilal Hargovindas Building, 18/20, Kaikhushru Dubash Marg, Mumbai -400 001	3.00 p.m.
2006-07	20.06.07	M.C.Ghia Hall, Bhogilal Hargovindas Building, 18/20, Kaikhushru Dubash Marg, Mumbai -400 001	4.00 p.m.

Special resolutions passed in the previous three AGMs

- Year 2004-05 – Nil
- Year 2005-06 – Nil
- Year 2006-07 – Nil

Whether any special resolution passed last year through postal ballot - details of voting pattern, person who conducted the postal ballot exercise

No

Whether any special resolution proposed to be conducted through postal ballot and if so procedure for postal ballot.

No

VII. DISCLOSURES**Disclosure on materially significant related party transactions that may have potential conflict with the interests of the Company at large.**

Details are provided in Note 14 under Schedule 15 to the Notes forming part of the Accounts in accordance with the 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

Whistle Blower Policy

Since the Company does not have a Whistle Blower Policy (constitution of which is a non-mandatory requirement), the details pertaining to the same is not provided. However, the Company affirms that no employee has been denied access to the Audit Committee during the financial year 2007-08.

Mandatory/Non-mandatory Requirements

During the financial year 2007-08, the Company

- (a) has duly complied with all mandatory requirements of Clause 49 of the Listing Agreement.
- (b) has not adopted any of the non-mandatory requirements of Clause 49 of the Listing Agreement.

VIII. MEANS OF COMMUNICATION**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 Company's website (<http://www.sonata-software.com>).

Whether the Management Discussion and Analysis section is a part of the Annual Report

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 the 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 31ST MARCH, 2008

The Board of Directors,
Sonata Software Limited,
Bangalore.

I have examined the registers, records and papers of **SONATA SOFTWARE LIMITED** 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 of Association and Articles of Association of the Company for the year ended March 31, 2008.

On the basis of my examination as well as information and explanations furnished by the Company 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 of the Act.
3. All the requisite forms, returns and documents have been filed with the Registrar of Companies and other authorities as required under the Act and the Rules made thereunder.
4. All the requirements of the Act relating to the meetings of the Directors, Shareholders and Committees of the Board as well as relating to maintenance of the minutes of the proceedings thereat have been complied with.
5. The Board of Directors of the Company is duly constituted.
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.
7. There was no issue of shares or any other securities during the year under report.
8. Share certificates 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 June 20, 2007 have been complied with.
10. There were no borrowings during the year under report.
11. There were no charges which were required to be created, modified or satisfied during the year under report.
12. Necessary approvals of Directors, Shareholders, Central Government and other authorities, wherever applicable and required under the Companies Act, 1956, have been obtained.
13. The Company has not altered the provisions of the Memorandum of Association or the Articles of Association during the year under report.

For V Sreedharan & Associates

Sd/-

Date : 4th April, 2008
Place: Bangalore

V Sreedharan
Proprietor



Sonata Software Limited

AUDITOR'S REPORT

TO THE MEMBERS OF SONATA SOFTWARE LIMITED

We have audited the attached Balance Sheet of **SONATA SOFTWARE LIMITED**, as at 31st March, 2008, and also the Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the Companies (Auditor's Report) Order, 2003 duly amended by DCA notification G.S.R. 766(E) dated 25th November 2004 (hereinafter to be referred to as " the Order") 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.

Further to our comments in the Annexure referred to above, we report that:

1. 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;
2. 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;

3. The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
4. In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement 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 and taken on record by the Board of Directors, we report that none of the directors is disqualified 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 accounts 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, 2008;
 - b. in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
 - c. in the case of the 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

Place : Mumbai
Date : 17th April, 2008

Membership No: 33329

Sonata Software Limited

ANNEXURE TO THE AUDITOR'S REPORT OF EVEN DATE

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of its fixed assets.
- (b) 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.
- (c) During the year, the Company has not disposed off substantial part of fixed assets.
- (ii) (a) The stock of inventory has been physically verified at reasonable intervals during the year by the management.
- (b) In our opinion and according to the information and explanations given to us, the procedures for physical verification of inventory followed by the management is reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) The Company has maintained proper records of inventory and no discrepancies were noticed on physical verification as compared with the book records.
- (iii) (a) The Company has not granted any loans, secured or unsecured, during the year to companies, firms and other parties listed in the register maintained under section 301 of the Companies Act, 1956.
- Accordingly, sub-clause (b), (c) and (d) are not applicable.
- (e) The Company has not taken any loans, secured or unsecured, during the year from companies, firms and other parties listed in the register maintained under section 301 of the Companies Act, 1956.
- Accordingly, sub-clause (f) and (g) are not applicable.
- (iv) In our opinion, there are adequate internal control systems commensurate with the size of the Company and the nature of its business with regard to purchase of inventory fixed assets and for the sale of goods and services. During the course of our audit, no major weakness has been noticed in the internal controls.
- (v) Based on the audit procedures applied by us and according to the information and explanations given to us there are no transactions that need to be entered into the register in pursuance of section 301 of the Companies Act, 1956.
- (vi) The Company has not accepted any deposits from the public.
- (vii) 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.
- (viii) According to the information and explanation given to us, maintenance of cost records have not been prescribed by the Central Government under section 209(1)(d) of the Act.
- (ix) (a) According to the records of the Company, the Company is generally regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth-tax, service tax, custom duty, excise, cess and any other statutory dues applicable to it.
- (b) According to the information and explanation given to us, there are no dues of income tax, sales tax, wealth tax, service tax, custom duty and cess which have not been deposited with the appropriate authorities on account of any dispute.
- (x) The Company does not have any accumulated losses at the end of the financial year and has not incurred cash losses in the financial year and in the immediately preceding financial year.
- (xi) The Company has not defaulted in repayment of dues to a financial institution or bank or debenture holders.
- (xii) Based on our examination and according to the information and explanations given to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) The Company is not a chit/nidhi/mutual benefit fund/society.
- (xiv) Based on our examination of the records and evaluation of the related internal controls, we are of the opinion that proper records have been maintained of the transactions and contracts in relation to investments and timely entries have been made in those records. We also report that the company has held the investments in its own name.
- (xv) On the basis of the information and explanations given to us, the guarantee given by the Company for loans taken by others from banks or financial institutions is not prejudicial to the interest of the Company.
- (xvi) The Company has not obtained any term loans.
- (xvii) On the basis of our examination of the books of accounts and the information and explanation given to us funds raised on short-term basis have not been used for long term investments.
- (xviii) The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Companies Act, 1956.
- (xix) During the year the Company has not issued any debentures.
- (xx) The Company has not raised any money by public issues during the year.
- (xxi) Based upon the audit procedures performed and information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.

For N.M. Raiji & Co.,
Chartered Accountants

Y. N. Thakkar
Partner
Membership No: 33329

Place: Mumbai
Date : 17th April, 2008



Sonata Software Limited

BALANCE SHEET AS AT 31ST MARCH, 2008

(Rs.)

	SCHEDULE	AS AT 31.03.2008	AS AT 31.03.2007
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Share Capital	1	105,159,306	105,159,306
Reserves and Surplus	2	1,887,167,619	1,680,154,393
		1,992,326,925	1,785,313,699
TOTAL FUNDS EMPLOYED		1,992,326,925	1,785,313,699
APPLICATION OF FUNDS			
FIXED ASSETS			
Gross Block	3	681,718,513	605,272,660
Less : Depreciation		431,820,862	341,077,152
Net Block		249,897,651	264,195,508
Capital work-in-progress & advances		43,204,992	49,471,811
		293,102,643	313,667,319
INVESTMENTS	4	1,018,195,501	752,748,813
DEFERRED TAX ASSET		104,306,830	118,641,096
CURRENT ASSETS, LOANS & ADVANCES			
Inventories	5	15,680,980	31,361,961
Sundry Debtors	6	380,652,678	362,072,988
Cash & Bank Balances	7	138,355,466	186,247,235
Other Current Assets	8	40,136,211	37,926,594
Loans and Advances	9	196,202,268	150,593,690
		771,027,603	768,202,468
Less :CURRENT LIABILITIES & PROVISIONS			
Current Liabilities	10	111,471,680	94,127,319
Provisions	11	82,833,972	73,818,678
		194,305,652	167,945,997
NET CURRENT ASSETS		576,721,951	600,256,471
TOTAL FUNDS APPLIED		1,992,326,925	1,785,313,699
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

S N TALWAR
Director

BRIJENDRA K SYNGAL
Director

P SRIKAR REDDY
Executive Vice President
& Chief Operating Officer

R SATHYANARAYANA
AVP - Finance & Accounts

PRAVEEN KUMAR D
Company Secretary

Mumbai, 17th April, 2008

Sonata Software Limited

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2008

(Rs.)

	SCHEDULE	YEAR ENDED 31.03.2008	YEAR ENDED 31.03.2007
INCOME			
Services (Net)		1,988,196,736	1,858,290,195
Other Income	12	22,831,166	24,051,802
Total Income		2,011,027,902	1,882,341,997
EXPENDITURE			
Operating and Other Expenses	13	1,503,897,289	1,398,523,420
Interest		1,149,861	5,007,870
Depreciation		94,525,720	91,064,811
Provision for Doubtful Debts		-	3,613,203
		1,599,572,870	1,498,209,304
Add/(Less) : (Increase)/ Decrease in Stocks	14	15,680,981	36,690,968
		1,615,253,851	1,534,900,272
Profit Before Tax		395,774,051	347,441,725
Provision for Tax (refer schedule 15, note 10)		75,138,720	(3,849,369)
MAT credit		(46,257,892)	-
Profit After Tax		366,893,223	351,291,094
Add : Balance of Profit brought forward from previous year		826,529,982	649,011,515
Disposable Surplus		1,193,423,205	1,000,302,609
Proposed Dividend		63,095,584	63,095,584
Interim Dividend		52,579,653	52,579,653
Provision for Dividend Tax		19,659,006	18,097,390
Transfer to General Reserve		40,000,000	40,000,000
Balance carried to Balance Sheet		1,018,088,962	826,529,982
		1,193,423,205	1,000,302,609
NOTES FORMING PART OF ACCOUNTS			
	15		
EPS - Basic (on Re.1/- per share)		3.49	3.34
EPS - Diluted (on Re.1/- per share)		3.49	3.34

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

S N TALWAR
Director

BRIJENDRA K SYNGAL
Director

P SRIKAR REDDY
Executive Vice President
& Chief Operating Officer

R SATHYANARAYANA
AVP - Finance & Accounts

PRAVEEN KUMAR D
Company Secretary

Mumbai, 17th April, 2008



Sonata Software Limited

SCHEDULES ATTACHED TO AND FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2008

(Rs.)

	AS AT 31.03.2008	AS AT 31.03.2007
SCHEDULE 1 : SHARE CAPITAL		
Authorised :		
150,000,000 Equity Shares of Re.1/- each <i>(Previous year 150,000,000 Equity Shares of Re.1/- each)</i>	<u>150,000,000</u>	<u>150,000,000</u>
Issued :		
105,159,306 Equity Shares of Re.1/- each <i>(Previous year 105,159,306 Equity Shares of Re.1/- each)</i>	<u>105,159,306</u>	<u>105,159,306</u>
Subscribed and Paid-Up :		
105,159,306 Equity shares of Re.1/- each fully paid-up <i>(Previous year 105,159,306 Equity Shares of Re.1/- each)</i>	<u>105,159,306</u>	<u>105,159,306</u>
Of the above :		
(1) 17,500,000 shares 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	402,700,000	362,700,000
Less: Gratuity Provision as per revised AS 15	17,550,283	-
Less: Compensated Absences as per revised AS 15	6,995,471	-
Add: Transferred from Profit and Loss account	40,000,000	40,000,000
	<u>418,154,246</u>	<u>402,700,000</u>
Profit and Loss Account	<u>1,018,088,962</u>	<u>826,529,982</u>
	<u>1,887,167,619</u>	<u>1,680,154,393</u>

SCHEDULE 3: FIXED ASSETS

Assets	Gross Block				Depreciation				Net Block as at 31.03.2008
	Cost as at 01.04.2007	Additions	Deductions/ Adjustments	Cost as at 31.03.2008	As at 01.04.2007	For the Year	Deductions/ Adjustments	As at 31.03.2008	
Buildings	15,493,000 (15,493,000)	- (-)	- (-)	15,493,000 (15,493,000)	1,704,557 (1,452,020)	252,537 (252,537)	- (-)	1,957,094 (1,704,557)	13,535,906 (13,788,443)
Leasehold Improvements	62,110,602 (52,035,787)	33,994,931 (10,074,815)	- (-)	96,105,533 (62,110,602)	18,767,217 (9,399,412)	13,279,690 (9,367,805)	- (-)	32,046,907 (18,767,217)	64,058,626 (43,343,385)
Plant & Machinery	343,122,337 (315,111,269)	33,074,111 (40,964,821)	3,742,115 (12,953,753)	372,454,333 (343,122,337)	224,961,797 (172,654,375)	63,506,737 (65,143,590)	3,728,073 (12,836,168)	284,740,461 (224,961,797)	87,713,872 (118,160,540)
Furniture & Fixtures	101,132,616 (93,809,230)	6,877,742 (7,076,537)	- (358,593)	108,010,358 (101,132,616)	66,910,339 (59,469,065)	8,193,508 (7,702,947)	-1 (261,673)	75,103,848 (66,910,339)	32,906,510 (34,222,277)
Motor Car & Vehicles	9,461,518 (7,672,332)	- (5,714,592)	- (3,925,406)	9,461,518 (9,461,518)	2,230,339 (3,586,144)	1,872,153 (1,324,668)	- (2,680,473)	4,102,492 (2,230,339)	5,359,026 (7,231,179)
Air Conditioners & Other Equipments	73,952,587 (57,205,226)	6,337,324 (17,076,537)	96,140 (329,176)	80,193,771 (73,952,587)	26,502,903 (19,410,714)	7,421,095 (7,273,264)	53,938 (181,075)	33,870,060 (26,502,903)	46,323,711 (47,449,684)
TOTAL	605,272,660 (541,326,844)	80,284,108 (81,512,744)	3,838,255 (17,566,928)	681,718,513 (605,272,660)	341,077,152 (265,971,730)	94,525,720 (91,064,811)	3,782,010 (15,959,389)	431,820,862 (341,077,152)	249,897,651 (264,195,508)
Capital work in progress & advances									43,204,992 (49,471,811)
GRAND TOTAL									293,102,643 (313,667,319)

Notes:

- Figures in brackets pertain to previous year ended 31st March, 2007.
- Buildings include cost of shares Rs.7,000(Previous year Rs.7,000).
- Plant and Machinery includes Computer and Software.
- A charge is created over the Fixed Assets of the Company in favour of State Bank of India, London in respect of a Foreign Currency Loan availed by Company's wholly owned subsidiary Sonata Europe Limited, United Kingdom.

Sonata Software Limited

Schedules (Contd.)

	AS AT 31.03.2008	AS AT 31.03.2007
(Rs.)		
SCHEDULE 4 : INVESTMENTS		
LONG TERM (AT COST) TRADE, UNQUOTED IN SUBSIDIARY COMPANIES		
3,375,394 Equity shares of Rs.10/- each in Sonata Information Technology Limited (fully paid) <i>[Previous year 4,500,525 Equity Shares of Rs. 10/- each - fully paid]</i>	33,753,940	45,005,250
300,000 Equity Shares in Offshore Digital Services Inc, California (fully paid) <i>[Previous year 300,000 Equity Shares - fully paid]</i>	12,232,184	12,232,184
2,500,000 shares of Series A Redeemable Preference Shares of Offshore Digital Services Inc. California (fully paid) <i>[Previous year 2,500,000 Preference Shares - fully paid]</i>	119,527,269	119,527,269
2 shares of Euro 12,500 each in Sonata Software GmbH, Germany (fully paid) <i>[Previous year: 2 shares of Euro 12,500 each fully paid]</i>	3,166,234	3,166,234
671,700 Equity shares of 1 Pound each in Sonata Europe Ltd, UK (fully paid) * <i>[Previous year: 671,700 Equity Shares of 1 pound each fully paid]</i>	57,281,788	57,281,788
94,21,600 2% non-cumulative convertible redeemable preference shares of 1 Pound each in Sonata Europe Ltd, UK-fully paid* <i>[Previous year: 6,045,300 Shares of 1 pound each fully paid]</i>	777,234,086	515,536,088
* Pledge is created on equity and redeemable preference shares held in Sonata Europe Limited (SEL) in favour of State Bank of India, London towards Foreign currency Term Loan of Euro 10 million availed by SEL, UK. Outstanding as on 31.03.2008 is Euro 4.5 million		
SHORT TERM UNITS (QUOTED)		
Standard Chartered Mutual Fund <i>(1,499,175.4540 units at Rs.10.0055 per unit)</i> <i>(Market Value Rs.10.0055 per unit aggregating Rs.15,000,000)</i> <i>(Previous year Nil)</i>	15,000,000	-
	1,018,195,501	752,748,813
SCHEDULE 5 : INVENTORIES		
Finished Products	15,680,980	31,361,961
SCHEDULE 6 : SUNDRY DEBTORS		
Unsecured		
Debts outstanding for a period exceeding six months		
Considered Good	6,443,091	52,123,635
Considered Doubtful	9,122,860	9,122,860
	15,565,951	61,246,495
Other debts : Considered Good	374,209,587	309,949,353
	389,775,538	371,195,848
Less : Provision for Doubtful Debts	9,122,860	9,122,860
	380,652,678	362,072,988

	AS AT 31.03.2008	AS AT 31.03.2007
(Rs.)		
SCHEDULE 7 : CASH AND BANK BALANCES		
Cash and Cheques on hand	388,083	268,071
Balances with Scheduled Banks		
In Current Accounts	68,067,656	119,934,145
In Deposit Accounts	10,324,250	270,000
In Unclaimed Dividend Account	4,908,420	4,381,580
Balances with other banks in current account		
Bank of America, New York, USA	15,892,153	5,496,179
<i>(Maximum balance held during the year Rs.57,986,110 Previous year Rs.40,036,406)</i>		
PNC Bank N A, New Jersey, USA	271,541	1,593,485
<i>(Maximum balance held during the year Rs.17,017,905 Previous year Rs.14,190,359)</i>		
Hong Kong and Shanghai Banking Corporation, Singapore	150,975	330,028
<i>(Maximum balance held during the year Rs. 660,056 Previous year Rs. 332,893)</i>		
Hong Kong and Shanghai Banking Corporation, London, UK	28,720,422	47,744,410
<i>(Maximum balance held during the year Rs.155,798,368 Previous year Rs.91,824,629)</i>		
Hong Kong and Shanghai Banking Corporation, London, UK-Imprest A/c	9,631,966	6,229,337
<i>(Maximum balance held during the year Rs 68,755,333 Previous year Rs 47,681,328)</i>		
	138,355,466	186,247,235
SCHEDULE 8 : OTHER CURRENT ASSETS		
Income Accrued but not due	40,136,211	37,926,594
SCHEDULE 9 : LOANS AND ADVANCES		
Unsecured		
<i>(Considered good, unless otherwise stated)</i>		
Loans / Advances to Employees	809,028	108,614
Advances recoverable in cash or in kind or for value to be received :		
From Subsidiary Company	9,404,665	17,317,236
Others	89,514,512	82,332,431
	98,919,177	99,649,667
Advance payment of tax (net of provisions)	96,474,063	50,835,409
	196,202,268	150,593,690
<i>Advances Include due from Directors & Officer : 1,200 Previous year : 34,044 Maximum due during the year : 34,044 Previous year : 34,044</i>		
SCHEDULE 10 : CURRENT LIABILITIES		
Sundry Creditors		
Micro and Small Enterprises	-	-
Others	28,878,427	19,040,739
	28,878,427	19,040,739
Other Liabilities	77,684,833	70,705,000
Investor Education and Protection Fund (Not Due)	4,908,420	4,381,580
	111,471,680	94,127,319
SCHEDULE 11 : PROVISIONS		
Compensated Absences	9,015,294	-
Dividend	63,095,584	63,095,584
Dividend Tax	10,723,094	10,723,094
	82,833,972	73,818,678

Sonata Software Limited

Schedules (Contd.)

	(Rs.)	
	YEAR ENDED 31.03.2008	YEAR ENDED 31.03.2007
SCHEDULE 12 : OTHER INCOME		
Interest received - Gross <i>(Tax Deducted at Source Rs147,932 Previous year 2,161,835)</i>	1,913,737	13,988,111
Foreign Exchange Variation (Net)	2,715,298	-
Excess Provisions no longer required (Net)	1,619,674	697,584
Sundry balances written back	-	4,389,427
Profit on Sale of Investments	39,165	91,373
Profit on Sales of Fixed Assets (Net)	37,197	-
Dividend Received	2,914,685	3,904,061
Miscellaneous Income	13,591,410	981,246
	22,831,166	24,051,802
SCHEDULE 13 : OPERATING AND OTHER EXPENSES		
Salaries, Wages, Bonus and Allowances <i>(Including Directors' remuneration)</i>	849,749,464	770,985,354
Contribution to Provident Fund and other Funds	51,479,172	40,443,457
Staff Welfare Expenses	8,463,575	7,792,817
	909,692,211	819,221,628
Power and Fuel	35,190,226	35,606,867
Rent	55,590,827	55,064,051
Rates & Taxes	5,824,525	5,128,933
Insurance	28,460,134	24,091,581
Repairs to :		
Plant and Machinery	3,013,838	2,742,913
Others	22,965,297	19,615,039
	25,979,135	22,357,952
Travelling and Conveyance Expenses	150,516,396	124,627,410
Subsistence/Living Cost	284,806,398	250,860,299
Legal, Professional and Technical Fees	86,698,452	86,861,194
Communication Cost	31,678,608	33,695,280
Auditor's Remuneration :		
Audit Fees	500,000	500,000
Certification	302,000	310,000
Out of pocket expenses	41,283	44,813
	843,283	854,813
Miscellaneous Expenses	38,473,432	43,748,983
Foreign Exchange Variation (Net)	-	13,898,679
Loss on Sales of Fixed Assets (Net)	-	116,779
	1,653,753,627	1,516,134,449
Less: Service charges recovered from subsidiary	149,856,338	117,611,029
	1,503,897,289	1,398,523,420
SCHEDULE 14 : (INCREASE) / DECREASE IN STOCKS		
Opening Stock		
In process	-	47,042,942
Finished Products	31,361,961	21,009,987
	31,361,961	68,052,929
Closing Stock		
In process	-	-
Finished Products	15,680,980	31,361,961
	15,680,980	31,361,961
(Increase) / Decrease in Stocks	15,680,981	36,690,968

SCHEDULE 15 : NOTES FORMING PART OF THE ACCOUNTS

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 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%

Leasehold improvements are stated at cost and are amortized over the lease period.

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) EMPLOYEE BENEFITS

i) Defined Contribution Plan

Company's contributions paid/payable during the year to Superannuation Fund, ESIC and Labour Welfare Fund are recognized in the Profit and Loss Account. There are no other obligations other than

the contribution payable to the respective Trusts. Company's Contribution towards Superannuation and ESIC is based on a percentage of salary which is made to an approved fund.

ii) Defined Benefit Plan

Company's Contribution towards Provident Fund is based on a percentage of salary which is made to an approved fund.

Company's Contribution towards Gratuity is made to an approved fund as per actuarial valuation certificate obtained from an actuary which is determined using projected unit credit method.

(iii) Short term compensated absences are provided as per actuarial valuation certificate obtained from an actuary which is determined using projected unit credit method.

(iv) Long term employee benefit - Long term compensated absences are provided as per actuarial valuation certificate obtained from an actuary which is determined using projected unit credit method.

(v) Actuarial gains/losses are immediately taken to profit and loss account and are not deferred.

(Rs.)

31.03.2008 31.03.2007

2. Estimated amount of contracts remaining to be executed and not provided (net of advances) **64,686,622 17,712,759**

3. Contingent Liabilities not provided for

i) Disputed Income

Tax demands (Inclusive of Interest Charged) **26,837,461 99,455,474**

This amount excludes:

a) Rs.157,939,457 (Rs.157,939,457) being the tax liability on account of Departmental Appeal before Judicial Authorities related to non-deductions of tax at source by the Company on payments made for purchase of software to non residents read with the fact that a major supplier of such software has already paid the above tax deductible at source which has been accepted by judicial authorities.

b) Rs.797,662,187 (Rs.797,662,187) being the consequential disallowance of payments for purchase of software in terms of (a) above.

ii) Claims against the Company not acknowledged as debts **21,677,210 31,180,902**

iii) Corporate Guarantee given by the Company

The Company has given irrevocable and unconditional corporate guarantee to State Bank of India, London on behalf of Sonata Europe Limited ("SEL") a wholly owned subsidiary of the Company for term loan of Euro 10 Million availed by SEL to part finance the acquisition of 50.1% of the equity share capital in TUI InfoTec GmbH, Hannover, Germany.

	(Rs.)	
	31.03.2008	31.03.2007
4. Remuneration & perquisites to Directors		
Salaries	12,379,500	10,971,559
Contribution to Provident fund & Superannuation fund	1,816,020	1,566,141
Actual reimbursement of medical expenses	95,484	60,000
Other perquisites as calculated under Income Tax Act, 1961	71,057	65,357
Commission	11,944,892	10,593,001
Total	26,306,953	23,256,058

5. Computation of Net Profit in accordance with Section 309(5) of the Companies Act, 1956:

Profit before taxes as per Profit and Loss Account	395,774,051	347,441,725
Add:		
1. Directors' Remuneration	26,306,953	23,256,058
2. Provision for Doubtful debts	-	3,613,203
3. Depreciation as per books of account	94,525,720	91,064,811
TOTAL (A)	516,606,724	465,375,797
Less:		
Depreciation as envisaged under Section 350 of the Companies Act*	94,525,720	91,064,811
TOTAL (B)	94,525,720	91,064,811
Net Profit as per Section 309(5)(A-B)	422,081,004	374,310,986
10% of eligible profit	42,208,100	37,431,099
Commission on Net Profit to:		
Managing Director@ 1.00%	4,220,810	3,743,110
Wholetime Director@ 0.33%	1,392,867	1,235,226
Wholetime Director@ 0.50%	2,110,405	1,871,555
Non Wholetime Directors @1.00%	4,220,810	3,743,110
	11,944,892	10,593,001

*Depreciation on Computers & Software are based on estimated useful lives. The rates of depreciation used by the Company for Computers and Software are higher than the minimum rates prescribed by Schedule XIV.

6. Value of imports calculated on CIF basis		
Capital Goods	18,085,676	22,766,263
7. Expenditure incurred in foreign currency on account of:		
Travelling	88,995,745	71,113,006
Subsistence / Living cost	284,806,398	250,860,299
Overseas Salaries	51,758,698	45,761,914
Professional charges	42,206,039	21,671,480
Others	58,820,612	54,894,033
	526,587,492	444,300,732

	(Rs.)	
	31.03.2008	31.03.2007
8. Earnings in foreign exchange		
Software services rendered (Net)	1,988,196,736	1,858,290,195
9. Income from Services includes loss on account of exchange fluctuation of Rs.27,318,394 for the current year ended 31st March, 2008. (Profit of Rs. 12,386,022 for the previous year ended 31st March, 2007)		
10. Provision for taxation for the year ended 31st March, 2008 consists of the following:		

Income Tax	
Domestic *	53,889,196 (52,954,814)
Foreign	22,017 (7,327,124)
Deferred Tax:	
Domestic	25,180,666 (-84,148,930)
Foreign	-13,211,697 (11,248,484)
Provision for wealth tax	36,000 (32,000)
Fringe Benefit Tax	9,222,538 (8,737,138)
Gross Total	75,138,720 (-3,849,369)
MAT Credit	-46,257,892 (-)
Net Total	28,880,828 (-3,849,369)

* Includes Provision For A.Y 1995-96 Rs. 76,31,304/-

11. Deferred Tax Asset (net) for the year ended 31st March, 2008 amounts to Rs. 14,334,265 (Rs. 67,962,102). DTA includes foreign exchange loss for the year ended 31st March, 2008 Rs. 2,365,297 (gain of Rs. 2,340,752). Significant Components of the Company's Deferred Tax Asset (Liability) are as follows:

	DTA	DTL	Net DTA/DTL
Carry Forward Loss	108,655,288 (118,641,096)	- (-)	108,655,288 (118,641,096)
Others	-4,348,458 (-)	- (-)	-4,348,458 (-)
Total	104,306,830 (118,641,096)	- (-)	104,306,830 (118,641,096)

12. The Working Capital Facility of the Company is secured by hypothecation of inventories and book debts both present and future and second charge on the fixed assets of the Company.

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

14. Related Party Transactions:

The list of related parties and nature of their relationship is disclosed in the Annexure.

Remuneration of Directors & Key Managerial Persons

(Rs.)

Name	Salaries *	Commission provided during the year	Grand total
B Ramaswamy	8,337,278 (7,374,678)	4,220,810 (3,743,110)	12,558,088 (11,117,788)
P Srikar Reddy	6,024,783 (5,288,379)	2,110,405 (1,871,555)	8,135,188 (7,159,934)
M D Dalal		1,392,867 (1,235,226)	1,392,867 (1,235,226)
S B Ghia		844,162 (748,622)	844,162 (748,622)
Rajan B Raheja		844,162 (748,622)	844,162 (748,622)
Pradip P Shah		844,162 (748,622)	844,162 (748,622)
S N Talwar		844,162 (748,622)	844,162 (748,622)
B K Syngal		844,162 (748,622)	844,162 (748,622)

* 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 three common Directors. Amounts included in the financial statements of the Company are in relation to administrative services, normal business transactions with SITL, as follows:

(Rs.)

Particulars	Balance as on 01.04.07	Transactions during the year	Amount received/ paid during the year	Balance as on 31.03.08
Assets Purchased	- (-)	10,230,476 (13,989,108)	10,230,476 (13,989,108)	- (-)
Deputation Expenses	- (2,556,698)	100,295,870 (55,127,246)	100,295,870 (57,683,944)	- (-)
Service charges	17,317,236 (14,350,699)	149,856,338 (117,611,029)	160,332,343 (114,644,492)	6,841,231 (17,317,236)
Inter Corporate Deposit	- (-)	- (60,000,000)	- (60,000,000)	- (-)
Interest on Inter Corporate Deposit	- (-)	- (483,288)	- (483,288)	- (-)
Others	- (1,068,498)	2,563,434 (13,663,680)	- (14,732,178)	2,563,434 (-)
Total	17,317,236 (17,975,895)	262,946,118 (260,874,351)	270,858,689 (261,533,010)	9,404,665 (17,317,236)

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 100% of the equity of ODSi. Under an agreement with ODSi, Sonata shall develop computer programs. Sonata has the necessary skills and capabilities to meet the ODSi software development requirements from its off-shore development center in India. Transactions with the Company included in the financial statements as on 31st March, 2008 are as follows.

(Rs.)

Particulars	Opening balance as at 01.04.07	Transaction during the year	Amount received/ paid during the year	Closing balance as at 31.03.08
Receivable	113,595,386 (70,320,715)	314,492,876 (300,478,193)	300,490,631 (257,203,522)	127,597,631 (113,595,386)
Living/Subistence allowance payable	2,501,346 (1,361,012)	54,626,179 (62,967,199)	53,165,203 (61,826,865)	3,962,322 (2,501,346)
Travelling Expenses	618,201 (1,370,100)	14,679,487 (6,880,173)	12,863,837 (7,632,072)	2,433,851 (618,201)
Assets Purchased	- (80,797)	369,317 (656,078)	369,317 (736,875)	- (-)
Other Expenses	2,977,918 (2,416,740)	51,354,145 (31,482,706)	48,568,987 (30,921,528)	5,763,076 (2,977,918)

Sonata Software GmbH, a company incorporated in Germany, which is engaged in development of computer programming services. Sonata holds 100% equity in Sonata Software GmbH. Transactions with the Company included in the financial statements as on 31st March, 2008 are as follows:

(Rs.)

Particulars	Opening balance as at 01.04.07	Transactions during the year	Amount received/paid during the year	Closing balance as at 31.03.08
Receivable – Reimbursement of Expenses	1,068,236 (Nil)	2,661,197 (1,068,236)	1,680,844 (-)	2,048,589 (1,068,236)

Sonata Europe Limited, a company incorporated under the Registrar of Companies, England and Wales, United Kingdom, which is engaged in software development services. Sonata holds 100% equity in Sonata Europe Limited. Transactions with the Company included in the financial statements as on 31st March, 2008 are as follows:

(Rs.)

Particulars	Opening balance as at 01.04.07	Transactions during the year	Amount received/paid during the year	Closing balance as at 31.03.08
Receivable	- (Nil)	14,258,369 (-)	12,901,476 (-)	1,356,893 (-)
Guarantee Commission	- (Nil)	13,599,641 (-)	13,599,641 (-)	- (-)
Reimbursement of Expenses	- (Nil)	8,714,863 (25,240,895)	8,714,863 (25,240,895)	- (-)

TUI InfoTec GmbH, a company incorporated in Germany which is engaged in software development and infrastructure management. Sonata holds 50.1% equity in TUI InfoTec GmbH. Transactions with the Company included in the financial statements as on 31st March, 2008 are as follows:

(Rs.)

Particulars	Opening balance as at 01.04.07	Transactions during the year	Amount received/paid during the year	Closing balance as at 31.03.08
Receivable	129,209 (Nil)	221,500,706 (88,118,728)	200,319,717 (87,989,519)	21,310,198 (129,209)
Others	- (Nil)	33,37,637 (-)	2,621,327 (-)	716,310 (-)

15. Employee Benefits :

Gratuity*

(a) Defined benefit plan (Funded) - As per actuarial valuation as on March 31, 2008.

(Rs.)

I Change in Obligation during the year ended March 31, 2008		
1	Present value of Defined Benefit Obligation at beginning of the year	36,508,692
2	Current Service Cost	7,292,766
3	Interest Cost	3,279,001
4	Actuarial (Gains)/Losses	3,312,389
5	Benefits Paid	(5,627,894)
6	Present value of Defined Benefit Obligation at the end of the year	44,764,954
Note: The present value of obligation as at 31st March, 2008 for Gratuity includes Rs.17,550,283 adjusted to General Reserve Opening Balance as on 01.04.2007 on adoption of AS 15 (Revised)		
II Change in Assets during the year ended March 31, 2008		
1	Plan assets at the beginning of the year	20,234,826
2	Settlements	-
3	Expected return on plan assets	3,401,854
4	Contributions by Employer	25,102,300
5	Actual benefits paid	(5,627,894)
6	Actuarial Gains/(Losses)	1,653,868
7	Plan Assets at the end of the year	44,764,954
III Net Asset/(Liability) recognised in the Balance Sheet as at March 31, 2008		
1	Present Value of Defined Benefit Obligation as at	44,764,954
2	Fair value of plan assets as at March 31, 2008	44,764,954
3	Fund status Surplus/(Deficit)	-
4	Net Assets/(Liability) as at March 31, 2008	-
IV Expenses recognised in the statement of Profit & Loss for the year ended March 31, 2008		
1	Current Service Cost	7,292,766
2	Interest Cost	3,279,001
3	Expected return on plan assets	(3,401,854)
4	Net Actuarial (Gains)/Losses	1,658,521
5	Total Expense	8,828,434
V The major categories of plan assets as a percentage of total plan		
	Insurer Managed Funds	100%
VI Actuarial Assumptions		
1	Discount Rate	8%
2	Expected rate of return on plan assets	8%
3	Mortality Table	LIC (1994-96) Ultimate
4	Retirement Age	60 Years



Sonata Software Limited

- Amount recognized as an expense and included in Schedule 13 under "contribution to provident fund and other funds".
- (b) The Guidance issued by the Accounting standard Board (ASB) on implementing AS-15, Employee benefits (revised 2005) states that provident funds set up by employers which requires interest short fall to be met by the employer, needs to be treated as defined benefit plan. The fund does not have any existing deficit or interest shortfall. In regard to any future obligation arising due to interest shortfall (i.e. government interest to be paid on provident fund scheme exceeds rate of interest earned on investment) pending the issuance of the Guidance Note from the Actuarial Society of India, the Company's actuary has expressed his inability to reliably measure the same.
- (c) Basis used to determine expected rate of return on assets
The expected return on planned assets is based on market expectation at the beginning of the period for returns over the entire life of the related obligation. The Gratuity Scheme is invested in Group Gratuity Scheme with HDFC Standard Life Insurance Company Limited. The expected return on assets assumption is taken based on current market yield.
- (d) The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.
- (e) Amounts for the current year are as follows: (Rs.)

Present value of Defined benefit obligation	44,764,954
Fair Value of Plan Assets	44,764,954
Surplus / (deficit)	-

*The above information is available only for the current year, the past periods have not been furnished.

- (f) Estimated Contribution for the next year on account of gratuity Rs.10,079,251.
- (g) Contribution/Provisions to superannuation and other funds stated under defined contribution plan is Rs.13,090,633.
- (h) Based on Actuarial valuation Compensated Absences, as per AS 15 (Revised), Rs.6,995,471 for the period up to 31st March, 2007 has been adjusted to general reserve opening balance as on 01.04.2007.
16. There are no Micro, Small and Medium Enterprises, as defined in the Micro, Small, Medium Enterprises Development Act, 2006 to whom the Company owes dues on account of principal amount together with interest and accordingly no additional disclosures have been made.

The above information regarding Micro, Small and Medium Enterprises has been determined to the extent such parties have been identified on the basis of information available with the Company. This has been relied upon by the auditors.

17. 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. 55,506,026 (Rs. 53,305,223).

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

S N TALWAR

Director

R SATHYANARAYANA

AVP - Finance & Accounts

M D DALAL

Executive Vice Chairman

BRIJENDRA K SYNGAL

Director

PRAVEEN KUMAR D

Company Secretary

B RAMASWAMY

Managing Director & President

P SRIKAR REDDY

Executive Vice President
& Chief Operating Officer

Mumbai, 17th April, 2008

LIST OF RELATED PARTIES & NATURE OF RELATIONSHIP

	List of related parties	Nature of Relationship
S B Ghia Chairman	Bhupati Investments & Finance Pvt. Ltd.	Significant Influence (through VIPL), Spouse R.S.Ghia as Chairperson and brother's wife V.D.Ghia as Director
	Chika Pvt. Ltd.	Son N.S. Ghia is Managing Director and self as Chairman
	Viraj Investments Pvt. Ltd. (VIPL)	Self (Chairman) and spouse, brother's wife are Directors
M D Dalal Executive Vice Chairman	Daltreya Investment & Finance Pvt. Ltd.	Spouse & sister are Directors
Rajan B Raheja Director	Suman R Raheja	Wife
	Akshay R Raheja	Son
	Viren R Raheja	Son
	Excelsior Construction Pvt. Ltd.	100% shareholding by Rajan B Raheja & his family
	Gstaad Investments & Finance Pvt. Ltd.	100% shareholding by Rajan B Raheja & his family
	Trophy Investments & Finance Pvt. Ltd.	100% shareholding by Rajan B Raheja & his family
B Ramaswamy Managing Director & President	Sonata Information Technology Ltd.	Director
	TUI InfoTec GmbH, Germany	Member of Supervisory Board
P Srikar Reddy Executive Vice President & COO	Sonata Information Technology Ltd.	Director
	TUI InfoTec GmbH, Germany	Managing Director
	Abisko Development Ltd., Cyprus	Director
Subsidiaries	Sonata Information Technology Ltd.	Wholly owned subsidiary of Sonata
	Abisko Development Ltd., Cyprus	Subsidiary of Sonata
	Offshore Digital Services Inc., USA	Wholly owned subsidiary of Sonata
	Sonata Software GmbH, Germany	Wholly owned subsidiary of Sonata
	Sonata Europe Ltd.	Wholly owned subsidiary of Sonata
	TUI InfoTec GmbH, Germany	Subsidiary of Sonata
Joint Venture/Associates	Scala ECE (Overseas) Ltd.	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

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	31.03.2008		

II Capital Raised During the Year (Rs.)

Public Issue	NIL	Rights Issue	NIL
Bonus Issue	NIL	Private Placement	NIL

III Position of Mobilisation and Deployment of Funds (Rs.)

Total Liabilities	1,992,326,925	Total Assets	1,992,326,925
Sources of Funds			
Paid Up Capital	105,159,306	Reserves & Surplus	1,887,167,619
Secured Loans	NIL	Unsecured Loans	NIL
Deferred Tax Liability	NIL		
Application of Funds			
Net Fixed Assets	293,102,643	Investments	1,018,195,501
Net Current Assets	576,721,951	Deferred Tax Asset	104,306,830
Accumulated Losses	NIL	Misc. Expenditure	NIL

IV Performance of Company (Rs.)

Turnover	2,011,027,902	Total Expenditure	1,615,253,851
Profit Before Tax	395,774,051	Profit After Tax	366,893,223
Earning Per Share	3.49	Dividend Rate (Incl. Interim 50%)	110%

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

S N TALWAR

Director

BRIJENDRA K SYNGAL

Director

P SRIKAR REDDY

Executive Vice President
& Chief Operating Officer

R SATHYANARAYANA

AVP - Finance & Accounts

PRAVEEN KUMAR D

Company Secretary

Mumbai, 17th April, 2008

Sonata Software Limited

CASH FLOW STATEMENT

(Rs.)

	YEAR ENDED 31.03.2008	YEAR ENDED 31.03.2007
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit before Tax	395,774,051	347,441,725
Adjustments for:		
Depreciation	94,525,720	91,064,811
Interest received	(1,913,737)	(13,988,111)
Provision no longer required	(1,619,674)	(697,584)
Sundry Balances written back	-	(4,389,427)
Provision for doubtful debts	-	3,613,203
(Profit)/Loss on sale of Fixed Assets	(37,197)	116,779
Dividend received	(2,914,685)	(3,904,061)
Profit on sale of investments	(39,165)	(91,373)
Operating Profit before Working Capital Changes	483,775,313	419,165,962
Adjustments for:		
Decrease/(Increase) in Sundry Debtors	(18,579,690)	(48,298,157)
Decrease/(Increase) in Inventories	15,680,981	36,690,968
Decrease/(Increase) in Other Current Assets	(2,209,617)	43,648,493
Decrease/(Increase) in Loans and Advances	(40,028,940)	106,161,512
(Decrease)/Increase in Current Liabilities & Provisions	3,433,576	(39,931,200)
Decrease/(Increase) in Deferred Tax Asset	14,334,266	(67,962,102)
Cash generated from operations	456,405,890	449,475,476
Direct taxes / Advance tax paid	(34,460,467)	(8,869,897)
Net Cash from Operating Activities	(A) 421,945,423	440,605,579
B. CASH FLOW FROM INVESTING ACTIVITIES		
Dividend received	2,914,685	3,904,061
Interest received	1,913,737	13,988,111
Purchase of Fixed Assets	(74,017,289)	(115,092,445)
Sale of Fixed Assets	93,441	1,490,760
Sale of Investments	568,550,908	397,186,167
Purchase of Investments	(583,511,743)	(321,599,805)
Investments in subsidiaries	(261,697,998)	(572,817,876)
Redemption of investment in Subsidiaries	11,251,310	110,624,481
Net Cash used in Investing Activities	(B) (334,502,949)	(482,316,546)
C. CASH FLOW FROM FINANCING ACTIVITIES		
Dividends / Dividend Taxes Paid	(135,334,243)	(131,898,689)
Net cash from Financing Activities	(C) (135,334,243)	(131,898,689)
Net Increase / (Decrease) in Cash and Cash Equivalents	(A+B+C) (47,891,769)	(173,609,656)
Opening Cash and Cash Equivalents	186,247,235	359,856,891
Closing Cash and Cash Equivalents	138,355,466	186,247,235



Sonata Software Limited

Cash Flow Statement (Contd.)

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:

(Rs.)

	YEAR ENDED 31.03.2008	YEAR ENDED 31.03.2007
Cash on hand and balance with banks	157,570,033	198,675,077
Short term investments	-	-
Cash and Cash Equivalents	157,570,033	198,675,077
Effect of exchange rate change	(19,214,567)	(12,427,842)
Cash and Cash Equivalents as restated	138,355,466	186,247,235

2 The Company has undrawn borrowing facilities of Rs. 4100 lacs.

3 Direct taxes / Advance tax paid during the year ended 31.03.2008 amounted to Rs. 344.60 lacs.

4 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 RAJI & Co.

Chartered Accountants

Y N THAKKAR

Partner

S B GHIA

Chairman

M D DALAL

Executive Vice Chairman

B RAMASWAMY

Managing Director & President

S N TALWAR

Director

BRIJENDRA K SYNGAL

Director

P SRIKAR REDDY

Executive Vice President
& Chief Operating Officer

R SATHYANARAYANA

AVP - Finance & Accounts

PRAVEEN KUMAR D

Company Secretary

Mumbai, 17th April, 2008

Sonata Software Limited

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

1. Name of the Subsidiary	Sonata Information Technology Limited	Offshore Digital Services Inc.	Abisko Development Limited	Sonata Software GmbH	Sonata Europe Limited	TUI InfoTec GmbH
2. Financial year ended	31 st March, 2008	31 st March, 2008	31 st March, 2008	31 st March, 2008	31 st March, 2008	31 st March, 2008
3. Holding Company's interest	100% in Equity Share Capital	100% in Equity Share Capital	80.10% in Equity Share Capital	100% in Equity Share Capital	100% in Equity Share Capital	50.10% in Equity Share Capital
4. Shares held by the Holding Company in the Subsidiary	3,375,394 shares of Rs.10/- each	300,000 shares	500,625 shares of USD1 each	2 shares of EURO 12,500 each	671,700 Equity shares of 1 Pound each	1 share of EURO 501,000
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 b. not dealt with or provided for in the accounts of the Holding Company	Nil Profit: Rs.58,371,846	Nil Profit: USD 589,528	Nil Loss: USD 1,864	Nil Profit: EURO 24,194	Nil Profit: GBP 383,700	Nil Profit: EURO 3,921,296
6. The net aggregate of profits or losses for the previous financial years 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 b. not dealt with or provided for in the accounts of the Holding Company	Nil Profit: Rs.96,737,544	Nil Profit: USD 4,030,953	Nil Loss: USD 496,476	Nil Profit: EURO 11,940	Nil Profit: GBP 165,616	Nil Profit: EURO 1,791,714

For and on behalf of the Board

S B GHIA
Chairman

M D DALAL
Executive Vice Chairman

B RAMASWAMY
Managing Director & President

S N TALWAR
Director

BRIJENDRA K SYNGAL
Director

P SRIKAR REDDY
Executive Vice President
& Chief Operating Officer

R SATHYANARAYANA
AVP - Finance & Accounts

PRAVEEN KUMAR D
Company Secretary

Mumbai, 17th April, 2008



Sonata Software Limited - Consolidated Financial Statement

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

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 examined the attached Consolidated Balance Sheet of Sonata Software Limited and its subsidiaries as at 31st March, 2008 and also the Consolidated Profit and Loss Account for the period from 1st April, 2007 to 31st March, 2008 annexed thereto and the Consolidated Cash Flow Statement for the period ended on that date.

These financial statements are the responsibility of Sonata Software Limited's management. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with generally accepted auditing standards in India. These Standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework and 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 statements. 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 91,690,132 as at 31st March, 2008 and total revenues of USD 184,586,523 for the period from 1st April, 2007 to 31st March, 2008. 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 the said Consolidated Balance Sheet along with Consolidated Profit and Loss Account and Consolidated Cash Flow Statement read together with the notes thereon gives a true and fair view;

- a. in the case of the Consolidated Balance Sheet, of the consolidated state of affairs of Sonata Software Limited and its subsidiaries as at 31st March, 2008;
- b. in the case of Consolidated Profit and Loss Account, of the consolidated results of operations of Sonata Software Limited and its subsidiaries for the period from 1st April, 2007 to 31st March, 2008; and
- c. in the case of the Consolidated Cash Flow Statement, of the consolidated cash flows of Sonata Software Limited and its subsidiaries for the period 1st April, 2007 to 31st March, 2008.

For N.M. Raiji & Co.,
Chartered Accountants

Y. N. Thakkar

Partner

Place : Mumbai

Date : 17th April, 2008

Membership No: 33329

Sonata Software Limited - Consolidated Financial Statement

BALANCE SHEET AS AT 31ST MARCH, 2008

(Rs.)

	SCHEDULE	AS AT 31.03.2008	AS AT 31.03.2007
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Share Capital	1	105,159,306	105,159,306
Reserves and Surplus	2	2,183,374,396	1,762,409,422
		2,288,533,702	1,867,568,728
MINORITY INTEREST			
		269,061,066	184,862,615
LOAN FUNDS			
Secured Loans	3	283,440,205	581,217,632
DEFERRED TAX LIABILITY			
		1,141,157	585,457
TOTAL FUNDS EMPLOYED			
		2,842,176,130	2,634,234,432
APPLICATION OF FUNDS			
FIXED ASSETS			
Gross Block	4	7,173,727,099	6,922,432,798
Less : Depreciation		5,410,521,933	5,074,755,814
Net Block		1,763,205,166	1,847,676,984
Capital work-in-progress & advances		74,096,214	49,471,811
		1,837,301,380	1,897,148,795
INVESTMENTS			
	5	238,678,833	143,092,259
DEFERRED TAX ASSET			
		227,215,865	171,037,366
CURRENT ASSETS, LOANS & ADVANCES			
Inventories	6	144,708,850	56,097,631
Sundry Debtors	7	2,386,924,767	1,941,881,138
Cash and Bank Balances	8	764,441,760	1,212,501,705
Other Current Assets	9	74,701,956	68,962,506
Loans and Advances	10	349,787,630	363,121,861
		3,720,564,963	3,642,564,841
Less: CURRENT LIABILITIES & PROVISIONS			
Current Liabilities	11	3,096,219,289	3,141,730,171
Provisions	12	85,365,622	77,878,658
		3,181,584,911	3,219,608,829
NET CURRENT ASSETS			
		538,980,052	422,956,012
TOTAL FUNDS APPLIED			
		2,842,176,130	2,634,234,432
NOTES FORMING PART OF ACCOUNTS			
	19		

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

S N TALWAR
Director

BRIJENDRA K SYNGAL
Director

P SRIKAR REDDY
Executive Vice President
& Chief Operating Officer

R SATHYANARAYANA
AVP - Finance & Accounts

PRAVEEN KUMAR D
Company Secretary

Mumbai, 17th April, 2008



Sonata Software Limited - Consolidated Financial Statement

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2008

(Rs.)

	SCHEDULE	YEAR ENDED 31.03.2008	YEAR ENDED 31.03.2007
INCOME			
Sales and Services (Net)	13	14,283,689,780	8,977,229,120
Other Income	14	310,575,317	198,624,745
Total Income		14,594,265,097	9,175,853,865
EXPENDITURE			
Operating and Other Expenses	15	7,730,465,027	4,421,481,727
Purchase of traded items	16	5,510,791,163	3,744,593,341
Interest	17	49,589,193	27,695,845
Depreciation		433,514,683	297,422,015
Bad debts		1,042,731	149,248
Provision for Doubtful Debts		15,303,678	3,613,203
		13,740,706,475	8,494,955,379
Add/(Less): (Increase) / Decrease in Stocks	18	(88,611,219)	19,379,163
		13,652,095,256	8,514,334,542
Profit Before Tax		942,169,841	661,519,323
Provision for Tax (refer schedule 19, note 1)		171,434,521	83,525,552
MAT credit		(46,257,892)	-
Profit After Tax before minority interest/share of earning in affiliates		816,993,212	577,993,771
Share in earning of affiliates		5,994,298	9,613,076
Minority Interest		(237,797,529)	(107,329,288)
Profit After Tax after minority interest/share of earning in affiliates		585,189,981	480,277,559
Add : Balance of Profit brought forward from previous year		893,783,261	602,280,079
Less : Gratuity Provision as per revised AS 15		3,751,800	-
Less : Compensated Absences as per revised AS 15		593,209	-
Less : Transferred to Capital Redemption Reserve		11,251,310	15,001,750
Disposable Surplus		1,463,376,923	1,067,555,888
Proposed Dividend		63,095,584	63,095,584
Interim Dividend		52,579,653	52,579,653
Provision for Dividend Tax		19,659,007	18,097,390
Transfer to General Reserve		40,000,000	40,000,000
Balance carried to Balance Sheet		1,288,042,679	893,783,261
		1,463,376,923	1,067,555,888
NOTES FORMING PART OF ACCOUNTS	19		
EPS - Basic (on Re.1/- per share)		5.56	4.57
EPS - Diluted (on Re.1/- per share)		5.56	4.57

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

S N TALWAR

Director

BRIJENDRA K SYNGAL

Director

P SRIKAR REDDY

Executive Vice President
& Chief Operating Officer

R SATHYANARAYANA

AVP - Finance & Accounts

PRAVEEN KUMAR D

Company Secretary

Mumbai, 17th April, 2008

Sonata Software Limited - Consolidated Financial Statement

SCHEDULES ATTACHED TO AND FORMING PART OF THE CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2008

(Rs.)

	AS AT 31.03.2008	AS AT 31.03.2007
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 :		
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>
Subscribed and Paid-Up :		
105,159,306 Equity shares of Re.1/- each fully paid up (Previous year 105,159,306 Equity shares of Re.1/- each)	<u>105,159,306</u>	<u>105,159,306</u>
Of the above :		
(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	402,700,000	362,700,000
Less: Gratuity Provision as per revised AS 15	17,550,283	-
Less: Compensated Absences as per revised AS 15	6,995,471	-
Add: Transferred from Profit and Loss account	<u>40,000,000</u>	<u>40,000,000</u>
	418,154,246	402,700,000
Capital Redemption Reserve*		
Opening balance	15,001,750	-
Add: During the year	<u>11,251,310</u>	<u>15,001,750</u>
	26,253,060	15,001,750
Profit and Loss Account	<u>1,288,042,679</u>	<u>893,783,261</u>
	<u>2,183,374,396</u>	<u>1,762,409,422</u>
* (Capital Redemption Reserve is created on account of buyback of the shares of Sonata Information Technology Limited)		
SCHEDULE 3: SECURED LOANS		
From banks	<u>283,440,205</u>	<u>581,217,632</u>



Sonata Software Limited - Consolidated Financial Statement

Schedules (Contd.)

SCHEDULE 4 : FIXED ASSETS

(Rs.)

Assets	Gross Block				Depreciation				Net Block as at 31.03.2008
	Cost as at 01.04.2007	Additions	Deductions/ Adjustments	Cost as at 31.03.2008	As at 01.04.2007	For the Year	Deductions/ Adjustments	As at 31.03.2008	
Goodwill	1,197,681,322 (162,073,483)	- (1,035,607,839)	- (-)	1,197,681,322 (1,197,681,322)	161,847,637 (129,262,791)	1,765,467 (32,584,846)	- (-)	163,613,104 (161,847,637)	1,034,068,218 (1,035,833,685)
Buildings	15,493,000 (15,493,000)	- (-)	- (-)	15,493,000 (15,493,000)	1,704,557 (1,452,020)	252,537 (252,537)	- (-)	1,957,094 (1,704,557)	13,535,906 (13,788,443)
Leasehold Improvements	65,515,194 (55,440,379)	33,994,931 (10,074,815)	- (-)	99,510,125 (65,515,194)	20,373,367 (10,119,042)	13,889,295 (10,254,325)	- (-)	34,262,662 (20,373,367)	65,247,463 (45,141,827)
Plant & Machinery	5,384,535,521 (339,750,184)	270,161,388 (5,057,739,090)	121,832,372 (12,953,753)	5,532,864,537 (5,384,535,521)	4,743,566,885 (191,916,370)	377,117,836 (234,990,144)	108,838,057 (-4,316,660,371)	5,011,846,664 (4,743,566,885)	521,017,873 (640,968,636)
Furniture & Fixtures	172,829,828 (97,238,867)	6,877,742 (75,949,554)	68,229,400 (358,593)	111,478,170 (172,829,828)	116,882,899 (61,862,021)	8,351,971 (10,567,680)	47,389,000 (-44,453,198)	77,845,870 (116,882,899)	33,632,300 (55,946,929)
Motor Car & Vehicles	9,461,520 (7,672,334)	- (5,714,592)	- (3,925,406)	9,461,520 (9,461,520)	2,230,339 (3,586,145)	1,872,153 (1,324,668)	- (2,680,474)	4,102,492 (2,230,339)	5,359,028 (7,231,181)
Air Conditioners & Other Equipments	76,916,413 (59,061,970)	44,466,169 (18,209,894)	-85,855,843 (355,451)	207,238,425 (76,916,413)	28,150,130 (20,358,485)	30,265,424 (7,447,815)	-58,478,493 (-343,830)	116,894,047 (28,150,130)	90,344,378 (48,766,283)
TOTAL	6,922,432,798 (736,730,217)	355,500,230 (6,203,295,784)	104,205,929 (17,593,203)	7,173,727,099 (6,922,432,798)	5,074,755,814 (418,556,874)	433,514,683 (297,422,015)	97,748,564 (-4,358,776,925)	5,410,521,933 (5,074,755,814)	1,763,205,166 (1,847,676,984)
Capital Work in Progress & Advances									74,096,214 (49,471,811)
GRAND TOTAL									1,837,301,380 (1,897,148,795)

Note:

- Figures in brackets pertain to previous year ended 31st March, 2007.
- Buildings include cost of shares Rs. 7,000 (Previous Year Rs. 7,000).
- Plant and Machinery includes Computer and Software.
- A charge is created over the Fixed Assets of Sonata Software Limited in favour of State Bank of India, London in respect of a Foreign Currency Loan availed by Sonata Europe Limited, UK.

**AS AT
31.03.2008**

**AS AT
31.03.2007**

SCHEDULE 5 : INVESTMENTS LONG TERM (AT COST) IN FOREIGN HOLDINGS UNQUOTED

In associate companies (refer schedule 19)
[Previous year: Rs.42,762,101] 43,232,969 42,762,101

QUOTED

138 shares of Principal Financial Group Inc.,
of USD 30.13 per share 199,415 199,415
(Previous year 138 Shares of USD 30.13 per share) **43,432,384** **42,961,516**

SHORT TERM, (AT COST, UNLESS OTHERWISE SPECIFIED) MUTUAL FUNDS (QUOTED)

Birla Sun Life Liquid Plus 100,137,558 -
(10,006,591.0560 units at Rs 10.0068 per unit)
(Market Value Rs.10.0068 per unit aggregating Rs.100,137,558)
(Previous Year Nil)

Standard Chartered Mutual Fund 80,108,891 100,130,743
(8,006,485.5740 units at Rs 10.0055 per unit)
(Market Value Rs.10.0055 per unit aggregating Rs.80,108,891)
(Previous year 100,120.73 units at Rs 10.0055 per unit)

Standard Chartered Mutual Fund 15,000,000 -
(1,499,175.4540 units at Rs 10.0055 per unit)
(Market Value Rs.10.0055 per unit aggregating Rs.15,000,000)
(Previous year Nil)

195,246,449

100,130,743

238,678,833

143,092,259

Sonata Software Limited - Consolidated Financial Statement

Schedules (Contd.)

	AS AT 31.03.2008	AS AT 31.03.2007
(Rs.)		
SCHEDULE 6 : INVENTORIES		
In process	17,845,483	-
Finished Products	126,863,367	56,097,631
	144,708,850	56,097,631
SCHEDULE 7 : SUNDRY DEBTORS		
Unsecured		
Debts outstanding for a period exceeding six months		
Considered Good	28,809,987	163,282,875
Considered Doubtful	9,724,510	9,983,915
	38,534,497	173,266,790
Other Debts Considered Good	2,358,114,780	1,778,598,263
Less : Provision for Doubtful Debts	9,724,510	9,983,915
	2,386,924,767	1,941,881,138
SCHEDULE 8 : CASH AND BANK BALANCES		
Cash and Cheques on hand	551,033	418,118
Balances with Scheduled Banks :		
In Current Accounts	118,659,288	308,786,644
In Deposit Accounts	212,165,764	331,127
In Unclaimed Dividend Account	4,908,420	4,381,580
Balances with other banks in current account :		
Bank of America, New York, USA <i>(Maximum balance held during the year Rs.57,986,110 Previous year Rs.40,036,406)</i>	15,892,153	5,496,179
PNC Bank N A, New Jersey, USA <i>(Maximum balance held during the year Rs.17,017,905 Previous year Rs.14,190,359)</i>	271,541	1,593,485
Hong Kong and Shanghai Banking Corporation, Singapore <i>(Maximum balance held during the year Rs.660,056 Previous year Rs. 332,893)</i>	150,975	330,028
Hong Kong and Shanghai Banking Corporation, London, UK <i>(Maximum balance held during the year Rs.155,798,368 Previous year Rs.91,824,630)</i>	28,720,422	47,744,410
Hong Kong and Shanghai Banking Corporation, London, UK-Imprest A/c <i>(Maximum balance held during the year Rs 68,755,333 Previous year Rs 47,681,329)</i>	9,631,966	6,229,337
Bank of America, San Leandro, USA <i>(Maximum balance held during the year Rs.45,875,057 Previous year Rs.47,524,913)</i>	10,108,063	20,284,561
Hypovereinsbank, Germany <i>(Maximum balance held during the year Rs.12,641,812 Previous year Rs.9,947,362)</i>	11,383,720	10,027,483
Deutsche Bank-GmbH, Germany <i>(Maximum balance held during the year Rs.639,219 Previous year Nil)</i>	411,547	-
Dresdner Bank-TUI InfoTec GmbH, Germany <i>(Maximum balance held during the year Rs.3,413,460 Previous year Rs.806,287,514)</i>	351,532,336	806,287,514
Balances with other banks in Deposit Account:		
Bank of America, San Leandro, USA	54,532	591,239
	764,441,760	1,212,501,705

Sonata Software Limited - Consolidated Financial Statement

Schedules (Contd.)

(Rs.)

	AS AT 31.03.2008	AS AT 31.03.2007
SCHEDULE 9 : OTHER CURRENT ASSETS		
Income Accrued but not due	74,701,956	68,962,506
SCHEDULE 10 : LOANS AND ADVANCES		
Unsecured		
(Considered good, unless otherwise stated)		
Advances / Loans to Employees	5,414,391	6,180,330
Advances recoverable in cash or in kind or for value to be received	342,936,734	356,941,531
Advance payment of tax (net of provisions)	1,436,505	-
	349,787,630	363,121,861
SCHEDULE 11 : CURRENT LIABILITIES		
Sundry Creditors		
Micro and Small Enterprises	-	-
Others	920,567,398	961,276,491
	920,567,398	961,276,491
Other Liabilities	2,170,743,471	2,176,072,100
Investor Education and Protection Fund (Not Due)	4,908,420	4,381,580
	3,096,219,289	3,141,730,171
SCHEDULE 12 : PROVISIONS		
Provision for Tax (net of advance tax)	-	4,059,980
Compensated Absences	9,783,442	-
Provision for Gratuity	1,763,502	-
Dividend	63,095,584	63,095,584
Dividend Tax	10,723,094	10,723,094
	85,365,622	77,878,658
	Year Ended 31.03.2008	Year Ended 31.03.2007
SCHEDULE 13 : SALES AND SERVICES (Net)		
Sales	10,407,713,263	5,922,791,160
Services	3,875,976,517	3,054,437,960
	14,283,689,780	8,977,229,120
SCHEDULE 14 : OTHER INCOME		
Interest received - Gross	143,164,549	81,071,867
(Tax Deducted at Source Rs1,47,932 Previous year 2,161,835)		
Foreign Exchange Variation (Net)	-	12,784,902
Excess Provisions no longer required (Net)	113,232,248	84,793,331
Sundry Balance written back	-	4,389,427
Profit on sale of Investments (Net)	93,198	91,373
Dividend Received	7,781,821	6,055,051
Miscellaneous Income	46,303,501	9,438,794
	310,575,317	198,624,745

Sonata Software Limited - Consolidated Financial Statement

Schedules (Contd.)

	(Rs.)	
	Year Ended 31.03.2008	Year Ended 31.03.2007
SCHEDULE 15 : OPERATING AND OTHER EXPENSES		
Salaries, Wages, Bonus and Allowances (Including Directors' remuneration)	3,086,541,122	1,815,415,547
Contribution to Provident Fund and other Funds	69,749,606	50,326,557
Staff Welfare Expenses	68,467,163	8,290,173
	3,224,757,891	1,874,032,277
Power and Fuel	36,110,760	36,506,950
Rent	884,723,548	477,287,065
Rates & Taxes	25,037,513	25,835,437
Insurance	44,020,310	33,731,454
Repairs to :		
Plant and Machinery	131,942,185	2,769,825
Others	193,675,218	71,719,513
	325,617,403	74,489,338
Travelling and Conveyance Expenses	222,742,308	191,723,541
Subsistence/Living Cost	284,806,398	251,055,568
Legal, Prof & Technical Fees	1,810,344,784	883,142,680
Communication Cost	696,002,395	433,669,806
Auditor's Remuneration :		
Audit Fees	1,630,243	2,349,914
Certification	402,000	410,000
Out of pocket expenses	56,583	83,167
	2,088,826	2,843,081
Royalty	2,986,275	3,717,958
Commission on Sales	13,526,773	21,406,167
Miscellaneous Expenses	145,096,490	111,914,202
Foreign exchange variation	10,194,596	-
Loss on sale of Fixed Assets (Net)	2,408,757	126,203
	7,730,465,027	4,421,481,727
SCHEDULE 16 : PURCHASE OF TRADED ITEMS		
Purchase of traded items	5,510,791,163	3,744,593,341
SCHEDULE 17 : INTEREST		
Interest on Fixed Loans	33,262,279	11,061,708
Interest others	16,326,914	16,634,137
	49,589,193	27,695,845
SCHEDULE 18: (INCREASE)/DECREASE IN STOCKS		
Opening Stock :		
In process	-	47,042,942
Finished Products	56,097,631	28,433,852
	56,097,631	75,476,794
Closing Stock :		
In process	17,845,483	-
Finished Products	126,863,367	56,097,631
	144,708,850	56,097,631
(Increase) / Decrease in Stocks	(88,611,219)	19,379,163



Sonata Software Limited - Consolidated Financial Statement

Schedules (Contd.)

Schedule 19 : Notes to Consolidated Financial Statements

Overview

Sonata Software Limited (SSL), together with its subsidiaries Sonata Information Technology Limited (SITL), Offshore Digital Services Incorporated (ODSi), Sonata Software GmbH, Sonata Europe Limited (SEL) and TUI InfoTec GmbH (collectively, the Company) is a provider of IT services 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, Oracle and IBM. The Company is headquartered in Bangalore.

Description of business

SSL is founded to provide Information Technology (IT) solutions, IT consulting and Development services globally, thus enhancing competitive advantage of its customers. The Company also provides both on-site as well as offshore services in the area of ERP customization conversion and migration projects, data warehousing, Business Intelligence, Web Development and Infrastructure Management 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, SCO and IBM. SITL has consistently built alliances and partnerships with leaders in packaged software products. 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. SITL has tie ups with ERP vendors for implementation and customization of ERP Products.

ODSi is a wholly owned subsidiary of SSL incorporated in USA, based in Fremont, California. ODSi provides computer - programming services to companies throughout the United States.

Sonata Software GmbH, a wholly owned subsidiary of SSL, incorporated in Germany provides computer-programming services throughout Germany.

Sonata Europe Limited, a wholly owned subsidiary of SSL, incorporated in United Kingdom provides computer programming services throughout Europe.

TUI InfoTec GmbH, a subsidiary company of SEL, incorporated in Germany provides software services and IT infrastructure management, throughout Europe. SEL holds 50.1% stake in TUI InfoTec GmbH, Germany.

Basis of preparing the financial statements

The accompanying financial statements for the fiscal period which begins on 1st April 2007 and ends on 31st March, 2008 have been prepared incorporating Accounting Policies of the parent company under the historical cost convention, in compliance with Indian Generally Accepted Accounting Practices ("GAAP") comprising of mandatory and relevant Accounting standards (AS) issued by the Institute of Chartered Accountants of India ("ICAI") and in compliance with the provisions of the Companies Act, 1956.

Use of Estimates

The consolidated financial statements include the accounts of the Company and its subsidiary companies. The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amount 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 are US Dollars, Euro and GB Pounds. 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.

Sonata Software Limited - Consolidated Financial Statement

Schedules (Contd.)

Revenue from Sales & Services

Income from Sales & Services includes loss on account of exchange fluctuation of Rs. 27,579,083 for the current year ended 31st March, 2008 and a profit of Rs. 12,487,944 for the previous year ended 31st March, 2007.

Good will

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

Goodwill resulting from acquisition of Sonata Software GmbH, Germany, is amortized over a period of five years effective 1st April, 2005.

Goodwill resulting from acquisition of TUI InfoTec GmbH, Germany is not amortized.

Minority interest

Minority interest shown in the Balance Sheet represents the share of equity and share of profits attributable to the minority share holders of TUI InfoTec GmbH, Germany.

Investments in Associate Companies

Investments in Associate Companies represents investments of TUI InfoTec in its associates and the same has been accounted under the equity method. The financial statements of the associate companies used in the consolidation are based on the latest available financial statements (31/12/07). The Associates of TUI InfoTec and the ownership interest are as follows:

Name of the Company	% Share held	Original Cost of Investment	Accumulated Profit/(Loss)/ adjustment	Carrying amount of Investments as at 31.03.08
Accon-RVS Accounting GmbH*	50%	41,577,529 (31,964,453)	-2,353,937 (9,613,076)	39,223,592 (41,577,529)
BOSYS Software GmbH**	25.2%	1,184,572 (1,184,572)	2,824,805 (-)	4,009,377 (1,184,572)
Total		42,762,101 (33,149,025)	470,868 (9,613,076)	43,232,969 (42,762,101)

* Investment held by TUI InfoTec GmbH

** Investment held by subsidiary of TUI InfoTec GmbH namely Travel BA SYS

1. Income Tax

Provision for Taxation for the year ended 31st March, 2008 consists of following:

(Rs.)

Income Tax	
Domestic *	79,852,963 (66,400,558)
Foreign	135,736,705 (79,883,091)
Deferred Tax	
Domestic	25,736,366 (-83,860,816)
Foreign	-80,303,903 (11,248,484)
Provision for Wealth Tax	36,000 (32,000)
Fringe Benefit Tax	10,376,390 (9,822,235)
Total	171,434,521 (83,525,552)

* Rs.76,31,304 pertains to tax provision made for A.Y.1995 - 96 & for F.Y.2006-07 Rs.1,22,807/-

(Rs.)

2. Deferred Income Tax

Deferred Tax Asset (Net) for the year ended 31st March, 2008 amounts to Rs. 54,567,538 (Rs.56,057,804). DTA for the current year ended 31st March, 2008 includes foreign exchange profit of Rs. 1,055,262 (Gain of Rs.676,096)

Significant components of the Company's Deferred Tax Asset (liability) are as follows:

(Rs.)

	DTA	DTL	Net DTA/DTL
Carry Forward Loss	151,336,679 (171,037,366)	- (-)	151,336,679 (171,037,366)
Others	75,879,186 (-)	1,141,157 (585,457)	74,738,029 (-585,457)
Total	227,215,865 (171,037,366)	1,141,157 (585,457)	226,074,708 (170,451,909)

	<u>31.03.2008</u>	<u>31.03.2007</u>
3. Estimated amount of contracts remaining to be executed and not provided (net of advances)	132,274,794	64,734,246
4. Contingent Liabilities not provided for		
I. Disputed Income Tax demands (Inclusive of Interest Charged)	26,837,461	149,603,055
This amount excludes:		
a) Rs.376,179,044 (Rs.376,179,044) being the tax liability on account of Departmental Appeal before Judicial Authorities related to non-deductions of tax at source by the company on payments made for purchase of software to non residents read with the fact that a major supplier of such software has already paid the above tax deductible at source which has been accepted by judicial authorities.		
b) Rs. 1,720,876,861 (Rs.1,720,876,861) being the consequential disallowance of payments for purchase of software in terms of (a) above.		
II Claims against the Company not acknowledged as debts	<u>21,677,210</u>	<u>31,180,902</u>
III. Corporate Guarantee		

SSL has given irrevocable and unconditional corporate guarantee to State Bank of India, London on behalf of Sonata Europe Limited ("SEL") a wholly owned subsidiary of SSL for term loan of Euro 10 Million availed by SEL to part finance the acquisition of 50.1% of the equity share capital in TUI InfoTec GmbH, Hannover, Germany.

During the year SEL has prepaid term loan to the extent of Euro 5.5 million. Outstanding term loan as on 31st March, 2008 is 4.5 million.

5. Segment Reporting

The Company's operation comprises of software development, technical services and product marketing. Primary segmental reporting is based on geographical areas, viz., Domestic = India (products & services) and International = Rest of the World (Exports-Software Services and Products). Secondary Segment comprises business segment viz., products & services.

In primary segment, revenue and all expenses, which relate to a particular geographical segment are reported. Fixed Assets, Current Assets, Loans and Advances, Current Liabilities and Provisions are classified based on specific geographical segment's business.

Secondary segment is reported based on the Company's business viz., products and services. Revenue is identified based on the business operations. Fixed assets used in the Company's business have not been identified with 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.

Sonata Software Limited - Consolidated Financial Statement

Schedules (Contd.)

Primary Reporting Requirement – Profit & Loss Account

(Rs.)

	Domestic	International	Total
Revenue	5,939,586,383 (4,114,692,419)	8,344,103,397 (4,862,536,701)	14,283,689,780 (8,977,229,120)
Direct and allocated Segment Cost	5,861,332,862 (4,074,469,121)	7,307,658,518 (4,114,747,561)	13,168,991,380 (8,189,216,682)
Inter - Segment Cost	- (-)	- (-)	- (-)
Total Cost	5,861,332,862 (4,074,469,121)	7,307,658,518 (4,114,747,561)	13,168,991,380 (8,189,216,682)
Operating Profit	78,253,521 (40,223,298)	1,036,444,879 (747,789,140)	1,114,698,400 (788,012,438)
Other Income	18,061,884 (14,659,683)	292,513,433 (183,965,062)	310,575,317 (198,624,745)
Profit Before Interest, Depreciation and Tax	96,315,405 (54,882,981)	1,328,958,312 (931,754,202)	1,425,273,717 (986,637,183)
Depreciation	4,370,834 (4,490,348)	429,143,849 (292,931,667)	433,514,683 (297,422,015)
Profit Before Interest and Tax	91,944,571 (50,392,633)	899,814,463 (638,822,535)	991,759,034 (689,215,168)
Interest	5,899,405 (9,339,689)	43,689,788 (18,356,156)	49,589,193 (27,695,845)
Profit Before Tax	86,045,166 (41,052,944)	856,124,675 (620,466,379)	942,169,841 (661,519,323)
Provision for Taxation	27,673,320 (14,818,954)	143,761,201 (68,706,598)	171,434,521 (83,525,552)
MAT Credit	- (-)	-46,257,892 (-)	-46,257,892 (-)
Profit After Tax	58,371,846 (26,233,990)	758,621,366 (551,759,781)	816,993,212 (577,993,771)
Less : Minority interest	- (-)	-237,797,529 (-107,329,288)	-237,797,529 (-107,329,288)
Add: Share in earnings of affiliates	- (-)	5,994,298 (9,613,076)	5,994,298 (9,613,076)
Profit After Tax and after minority interest and share in earnings of affiliates	58,371,846 (26,233,990)	526,818,135 (454,043,569)	585,189,981 (480,277,559)



Sonata Software Limited - Consolidated Financial Statement

Schedules (Contd.)

Primary Reporting Requirement – Assets and Liabilities

(Rs.)

	Domestic	International	Total
FIXED ASSETS			
Gross Block	31,394,411 (25,389,790)	7,142,332,688 (6,897,043,008)	7,173,727,099 (6,922,432,798)
Less: Depreciation	22,085,276 (18,080,991)	5,388,436,657 (5,056,674,823)	5,410,521,933 (5,074,755,814)
Net Block	9,309,135 (7,308,799)	1,753,896,031 (1,840,368,185)	1,763,205,166 (1,847,676,984)
Capital WIP & Advances	- (-)	74,096,214 (49,471,811)	74,096,214 (49,471,811)
Investments	180,246,449 (100,130,743)	58,432,384 (42,961,516)	238,678,833 (143,092,259)
CURRENT ASSETS, LOANS AND ADVANCES			
Inventories	104,516,372 (9,594,488)	40,192,478 (46,503,143)	144,708,850 (56,097,631)
Sundry Debtors	925,774,242 (877,206,022)	1,461,150,525 (1,064,675,116)	2,386,924,767 (1,941,881,138)
Cash and Bank Balances	164,019,417 (132,695,987)	600,422,343 (1,079,805,718)	764,441,760 (1,212,501,705)
Other Current Assets	4,900,000 (10,300,000)	69,801,956 (58,662,506)	74,701,956 (68,962,506)
Loans and Advances	145,288,077 (22,617,150)	204,499,553 (340,504,711)	349,787,630 (363,121,861)
LESS: CURRENT LIABILITIES AND PROVISIONS			
Current Liabilities	1,330,860,814 (1,026,218,723)	1,765,358,475 (2,115,511,448)	3,096,219,289 (3,141,730,171)
Provisions	2,531,650 (23,695,535)	82,833,972 (101,574,193)	85,365,622 (77,878,658)
NET CURRENT ASSETS	11,105,644 (49,890,459)	527,874,408 (373,065,553)	538,980,052 (422,956,012)
DEFERRED TAX ASSET (NET)	-1,141,157 (-585,457)	227,215,865 (171,037,366)	226,074,708 (170,451,909)

Sonata Software Limited - Consolidated Financial Statement

Schedules (Contd.)

Secondary Reporting Requirement – Business Segment

(Rs.)

	Products	Services	Common	Total
Revenue	10,407,713,263 (5,922,791,160)	3,875,976,517 (3,054,437,960)	- (-)	14,283,689,780 (8,977,229,120)
FIXED ASSETS				
Gross Block	- (-)	- (-)	7,173,727,099 (6,922,432,798)	7,173,727,099 (6,922,432,798)
Less: Accumulated Depreciation	- (-)	- (-)	5,410,521,933 (5,074,755,814)	5,410,521,933 (5,074,755,814)
Net Block	- (-)	- (-)	1,763,205,166 (1,847,676,984)	1,763,205,166 (1,847,676,984)
Capital Work-in-Progress	- (-)	- (-)	74,096,214 (49,471,811)	74,096,214 (49,471,811)
Deferred Tax Assets (Net)	- (-)	- (-)	226,074,708 (170,451,909)	226,074,708 (170,451,909)
CURRENT ASSETS				
Inventories	104,516,372 (9,594,488)	15,680,980 (31,361,961)	24,511,498 (15,141,182)	144,708,850 (56,097,631)
Sundry Debtors	925,774,242 (877,206,022)	292,759,023 (277,045,733)	1,168,391,502 (787,629,383)	2,386,924,767 (1,941,881,138)
Cash and Bank Balances	- (-)	- (-)	764,441,760 (1,212,501,705)	764,441,760 (1,212,501,705)
Other Current Assets	4,900,000 (10,300,000)	69,801,956 (58,662,506)	- (-)	74,701,956 (68,962,506)
Loans and Advances	145,288,077 (46,312,685)	193,294,258 (146,717,716)	11,205,295 (170,091,461)	349,787,630 (363,121,862)
Capital Expenditure	- (-)	- (-)	380,124,633 (509,729,489)	380,124,633 (509,729,489)

6. 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:

Remuneration of Directors & Key Managerial Persons

(Rs.)

Name	Salaries *	Commission provided during the year	Grand Total
B Ramaswamy	8,337,278 (7,374,678)	4,220,810 (3,743,110)	12,558,088 (11,117,788)
P Srikar Reddy	6,024,783 (5,288,379)	2,110,405 (1,871,555)	8,135,188 (7,159,934)
MD Dalal		1,392,867 (1,235,226)	1,392,867 (1,235,226)
S B Ghia		844,162 (748,622)	844,162 (748,622)
Rajan B Raheja		844,162 (748,622)	844,162 (748,622)
Pradip P Shah		844,162 (748,622)	844,162 (748,622)
S N Talwar		844,162 (748,622)	844,162 (748,622)
B K Syngal		844,162 (748,622)	844,162 (748,622)

* Salaries include taxable value of perquisites.

**7. Employee Benefits :
Gratuity ***

(a) Defined benefit plan (Funded) - Gratuity As per actuarial valuation as on March 31, 2008. (Rs.)

I Change in Obligation during the year ended March 31, 2008		
1	Present value of Defined Benefit Obligation at beginning of the year	41,684,540
2	Current Service Cost	7,939,223
3	Interest Cost	3,710,195
4	Actuarial (Gains)/Losses	4,078,357
5	Benefits Paid	(6,492,658)
6	Present value of Defined Benefit Obligation at the end of the year	50,919,657
Note: The present value of obligation as at 31.03.08 for Gratuity includes Rs.17,550,283 adjusted to opening General Reserve and Rs. 37,51,800 adjusted to opening Profit & Loss Account on adoption of AS15 (revised) as on 01.04.2007		
II Change in Assets during the year ended March 31, 2008		
1	Plan assets at the beginning of the year	21,658,910
2	Settlements	-
3	Expected return on plan assets	3,816,524
4	Contributions by Employer	29,293,975
5	Actual benefits paid	(6,492,658)
6	Actuarial Gains / (Losses)	879,404
7	Plan Assets at the end of the year	49,156,155
III Net Asset/(Liability) recognised in the Balance Sheet as at March 31, 2008		
1	Present Value of Defined Benefit Obligation	50,919,657
2	Fair value of plan assets	49,156,155
3	Fund status (Surplus/(Deficit))	(1,763,502)
4	Net Assets / (Liability)	(1,763,502)
IV Expenses recognised in the statement of Profit & Loss for the year ended March 31, 2008		
1	Current Service Cost	7,939,223
2	Interest Cost	3,710,195
3	Expected return on plan assets	(3,816,524)
4	Net Actuarial (Gains)/Losses	3,198,953
5	Total Expense	11,031,847
V The major categories of plan assets as a percentage of total plan		
	Insurer Managed Funds	100%
VI Actuarial Assumptions		
1	Discount Rate	8%
2	Expected rate of return on plan assets	8%
3	Mortality Table	LIC (1994-96) Ultimate
4	Retirement Age	60 Years

Note: The above information pertains to Sonata Software Limited and Sonata Information Technology Limited.

Amount recognized as an expense and included in Schedule 15 under "contribution to provident fund and other funds".

(b) The Guidance issued by the Accounting Standard Board (ASB) on implementing AS-15, Employee benefits (revised 2005) states that provident funds set up by employers which requires interest short fall to be met by the employer, needs to be treated as defined benefit plan. The fund does not have any existing deficit or interest shortfall. In regard to any future obligation arising due to interest shortfall (i.e. government interest to be paid on provident fund scheme exceeds rate of interest earned on investment) pending the issuance of the Guidance Note from the Actuarial Society of India, the Company's actuary has expressed his inability to reliably measure the same.

(c) Basis used to determine expected rate of return on assets
The expected return on planned assets is based on market expectation at the beginning of the period for returns over the entire life of the related obligation. The Gratuity Scheme is invested in Group Gratuity Scheme with HDFC Standard Life Insurance Company Limited. The expected return on assets assumption is taken based on current market yield.

(d) The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

(e) Amounts for the current year are as follows: (Rs.)

Present value of Defined benefit obligation	50,919,657
Fair Value of Plan Assets	49,156,155
Surplus / (deficit)	(1,763,502)

* The above information is available only for the current year, the past periods have not been furnished.

(f) Estimated Contribution for the next year on account of gratuity Rs.10,837,547.

(g) Contribution/Provisions to superannuation and other funds stated under defined contribution plan is Rs.14,219,861.

(h) Based on Actuarial valuation Compensated Absences, as per AS 15 (Revised) of Rs. 6,995,471 for the period up to 31st March, 2007 has been adjusted to opening balance of general reserve and Rs 593,209 to opening balance of profit and loss Accounts as on 01.04.2007.

8. 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.107,169,817 (Rs. 60,724,822)

9. The consolidated financials of the Company for the year 2006-07 reflects results of TUI Infotec GmbH, along with its subsidiaries for the five months period from 1st November 2006 to 31st March, 2007 hence the previous year's figures are not comparable.

10. There are no Micro, Small and Medium Enterprises, as defined in the Micro, Small, Medium Enterprises Development Act, 2006 to whom the company owes dues on account of principal amount together with interest and accordingly no additional disclosures have been made.

The above information regarding Micro, Small and Medium Enterprises has been determined to the extent such parties have been identified on the basis of information available with the Company. This has been relied upon by the auditors.

11. 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 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

S N TALWAR
Director

BRIJENDRA K SYNGAL
Director

P SRIKAR REDDY
Executive Vice President
& Chief Operating Officer

R SATHYANARAYANA
AVP - Finance & Accounts

PRAVEEN KUMAR D
Company Secretary

Mumbai, 17th April, 2008

LIST OF RELATED PARTIES & NATURE OF RELATIONSHIP

	List of related parties	Nature of Relationship
S B Ghia Chairman	Bhupati Investments & Finance Pvt. Ltd.	Significant Influence (through VIPL), Spouse R.S.Ghia as Chairperson and brother's wife V.D.Ghia as Director
	Chika Pvt. Ltd.	Son N.S. Ghia is Managing Director and self as Chairman
	Viraj Investments Pvt. Ltd. (VIPL)	Self (Chairman) and spouse, brother's wife are Directors
M D Dalal Executive Vice Chairman	Daltreya Investment & Finance Pvt. Ltd.	Spouse & sister are Directors
Rajan B Raheja Director	Suman R Raheja	Wife
	Akshay R Raheja	Son
	Viren R Raheja	Son
	Excelsior Construction Pvt. Ltd.	100% shareholding by Rajan B Raheja & his family
	Gstaad Investments & Finance Pvt. Ltd.	100% shareholding by Rajan B Raheja & his family
	Trophy Investments & Finance Pvt. Ltd.	100% shareholding by Rajan B Raheja & his family
B Ramaswamy Managing Director & President	Sonata Information Technology Ltd.	Director
	TUI InfoTec GmbH, Germany	Member of Supervisory Board
P Srikar Reddy Executive Vice President & COO	Sonata Information Technology Ltd.	Director
	TUI InfoTec GmbH, Germany	Managing Director
	Abisko Development Ltd., Cyprus	Director
Subsidiaries	Sonata Information Technology Ltd.	Wholly owned subsidiary of Sonata
	Abisko Development Ltd., Cyprus	Subsidiary of Sonata
	Offshore Digital Services Inc., USA	Wholly owned subsidiary of Sonata
	Sonata Software GmbH, Germany	Wholly owned subsidiary of Sonata
	Sonata Europe Ltd., UK	Wholly owned subsidiary of Sonata
	TUI InfoTec GmbH, Germany	Subsidiary of Sonata
Joint Venture/Associates	Scala ECE (Overseas) Ltd.	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

CASH FLOW STATEMENT

(Rs.)

	YEAR ENDED 31.03.2008	YEAR ENDED 31.03.2007
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit before Tax	942,169,841	661,519,323
Adjustments for:		
Depreciation	433,514,683	297,422,015
Interest paid	49,589,193	27,695,845
Interest received	(143,164,549)	(81,071,867)
Provision for doubtful debts	15,303,678	3,613,203
Bad Debts	1,042,731	149,248
Provision no longer required	(113,232,248)	(907,373)
(Profit)/Loss on sale of Investments	(93,198)	(91,373)
(Profit)/Loss on sale of Fixed Assets	2,408,757	126,203
Dividend received	(7,781,821)	(6,055,051)
Operating Profit before Working Capital Changes	1,179,757,067	902,400,173
Adjustments for:		
Decrease/(Increase) in Sundry Debtors	(461,390,038)	(638,209,280)
Decrease/(Increase) in Inventories	(88,611,219)	19,379,163
Decrease/(Increase) in Other Current Assets	(5,739,450)	58,634,354
Decrease/(Increase) in Loans and Advances	(76,279,869)	(150,165,431)
(Decrease)/Increase in Current Liabilities & Provisions	46,317,566	1,847,881,217
Decrease/(Increase) in Deferred Tax Asset	(56,178,499)	(55,769,711)
(Decrease)/Increase in Deferred Tax Liability	555,700	(288,113)
Cash generated from operations	538,431,258	1,983,862,372
Interest paid	(49,589,193)	(27,695,845)
Direct taxes / Advance tax paid	(35,562,529)	(9,870,656)
Net Cash from Operating Activities	(A) 453,279,536	1,946,295,871
B. CASH FLOW FROM INVESTING ACTIVITIES		
Dividend received	7,781,821	6,055,051
Interest received	143,164,549	81,071,867
Purchase of Fixed Assets - net	(380,124,633)	(1,862,132,628)
Sale of Fixed Assets	4,048,608	1,501,068
Investment in Associates	470,868	(42,762,101)
Purchase of Investments	(1,773,281,605)	(1,080,250,794)
Sale of Investments	1,677,317,361	1,055,706,413
Net Cash used in Investing Activities	(B) (320,623,031)	(1,840,811,124)
C. CASH FLOW FROM FINANCING ACTIVITIES		
Minority Interest	(147,604,781)	87,146,403
Proceeds from Long Term Borrowings-Others	(297,777,427)	581,217,632
Dividends / Dividend Taxes Paid	(135,334,243)	(131,898,689)
Net cash from Financing Activities	(C) (580,716,450)	536,465,346
Net increase/(decrease) in Cash and Cash Equivalents	(A+B+C) (448,059,945)	641,950,093
Opening Cash and Cash Equivalents	1,212,501,705	570,551,612
Closing Cash and Cash Equivalents	764,441,760	1,212,501,705



Sonata Software Limited - Consolidated Financial Statement Cash Flow Statement (Contd.)

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:

	YEAR ENDED 31.03.2008	YEAR ENDED 31.03.2007
Cash on hand & balance with banks	783,913,297	1,224,049,192
Short Term Investments	-	-
Cash & Cash Equivalents	783,913,297	1,224,049,192
Effect of exchange rate change	(19,471,537)	(11,547,487)
Cash & Cash Equivalents as restated	764,441,760	1,212,501,705

(Rs.)

2. Direct Tax/Advance tax paid during the period ended 31.03.2008 amounted to Rs.355.63 Lakhs

3. 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

S B GHIA

Chairman

M D DALAL

Executive Vice Chairman

B RAMASWAMY

Managing Director & President

S N TALWAR

Director

BRIJENDRA K SYNGAL

Director

P SRIKAR REDDY

Executive Vice President
& Chief Operating Officer

R SATHYANARAYANA

AVP - Finance & Accounts

PRAVEEN KUMAR D

Company Secretary

Mumbai, 17th April, 2008

Sonata Software Limited - Consolidated Financial Statement

ADDITIONAL FINANCIAL INFORMATION OF OVERSEAS SUBSIDIARIES :

	Offshore Digital Services Inc. USA (Amount in USD)	Abisko Development Limited, Cyprus (Amount in USD)	Sonata Software GmbH, Germany (Amount in Euro)	Sonata Europe Limited, UK (Amount in GBP)	TUI InfoTec GmbH, Germany (Amount in Euro)
a. Capital					
- Stock holders Equity	300,000	625,000	25,000	671,700	1,000,000
- Preferred Stock	2,500,000	-	-	9,421,600	-
b. Reserves and Surplus	(3,441,425)	(621,684)	61,133	218,084	7,549,724
c. Total Assets	2,634,417	13,688	247,773	13,872,638	38,608,023
d. Total Liabilities	2,634,417	13,688	247,773	13,872,638	38,608,023
e. Details of Investment (except in case of investment in subsidiaries)	-	-	-	-	736,225
f. Turnover	11,055,127	-	1,085,619	223,075	111,961,655
g. Profit before Taxation	608,164	(1,864)	36,099	383,700	10,363,341
h. Provision for Taxation	18,636	-	11,905	-	2,382,989
i. Minority Interest	-	-	-	-	153,414
j. Profit after Taxation and Minority Interest	589,528	(1,864)	24,194	383,700	7,826,938
k. Proposed Dividend	-	-	-	-	-

Note : The above information has been furnished as per the requirement of Ministry of Corporate Affairs letter dated 7th March, 2008.



Sonata Information Technology Limited

DIRECTORS' REPORT

TO THE MEMBERS OF SONATA INFORMATION TECHNOLOGY LIMITED

Your Directors have pleasure in presenting the Eighth Annual Report of your Company along with the audited Statement of Accounts for the year ended 31st March, 2008.

FINANCIAL HIGHLIGHTS

(Rs. in million)

	Year ended 31.03.2008	Year ended 31.03.2007
1. Total Income	5,957.65	4,143.27
2. Total Expenditure	5,861.34	4,086.49
3. Profit before Interest & Depreciation	96.31	56.78
4. Interest	5.90	9.34
5. Depreciation	4.37	4.49
6. Profit after Interest and Depreciation but before Tax	86.04	42.95
7. Provision for Tax	27.67	14.82
8. Profit after Tax	58.37	28.13
9. Appropriations :		
Gratuity Provision as per revised AS 15	3.75	-
Compensated Absence as per revised AS 15	0.59	-
Transferred to capital redemption reserve	11.25	15.00

DIVIDEND

Your Directors do not recommend any dividend for the financial year ended 31st March, 2008.

BUSINESS REVIEW

Products

Your Company's Product business has grown at a rate of 47% over the last year. Your Company has consolidated its position in the Indian market and attained top position in most of the business lines in which it is dealing. Your Company has also seen a substantial increase in number of customer additions and won the best partner award from various Principals. Your Company's strategy for the current financial year is to add and retain more customers and provide more value added services to them. Your Company is also planning to add more value added products to its portfolio which can give higher returns to your Company.

Business Solutions Group (BSG)

Your Company was adjudged and awarded "Partner of the year, 2007" by Oracle for the commendable business garnered and referenceable implementations done. This award is a

sincere recognition of the Company's ERP competence. The Construction industry specific add-on built by your Company for MS Axapta ERP was well received by the industry and your Company has acquired several customers in this vertical across the country. Your Company has recently also signed up distributors in other countries for this verticalised offering.

It Consulting

Your Company continues to enhance repeat IT Consulting and Services business from existing customers. Your Company has also launched Portal services as an offering this year and has acquired several new and marquee customers for this new service offering. This has resulted in winning the confidence and mindshare of the Principals and proactive engagement in large opportunities and ample support is therefore forthcoming.

QUALITY

Your Company's Quality Management System continues to evolve to meet the ever growing demands of the customer. As always, "focus on the customer" has been the theme of all the changes made to your Company's quality system. Your company's external auditors have placed on record their appreciation for the "Robust internal audit processes" and the "High level of commitment" to quality.

RECOGNITION

During the year under review, your Company has won the following awards/recognition :

- Microsoft's Platinum Partner Award
- Oracle's Best Mid Market Applications Vendor
- Oracle's Best support partner
- BEA's Best Distributor in India

BUYBACK OF EQUITY SHARES

Pursuant to the provisions of Section 77A of the Companies Act, 1956 and the Unlisted Public Limited Company (Buy-back of Securities) Rules, 1999, during the year under review, your Directors offered to buyback upto 25% of the existing paid-up equity share capital of your Company i.e. 1,125,131 equity shares at a price of Rs. 10/- per equity share from the existing shareholders on a proportionate basis through private offers. The buyback proposal was mooted in keeping with your Company's desire to maximize returns to the shareholders and enhance overall shareholder value by returning surplus cash to the shareholders. Post buyback, your Company's share capital stands reduced to Rs. 33,753,940/- comprising 3,375,394 equity shares of Rs. 10/- each.

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 for 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, 2008 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 a 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 CONSERVATION, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE

Your Company has nothing to report on energy conservation and technology absorption as 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.

Foreign Exchange outgo on account of Travelling, Royalty, Import of traded products, etc was Rs.3285.52 Mn and foreign exchange inflow on account of software services rendered and sales of traded products exports was Rs.32.88 Mn.

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.

DIRECTORS

Mr.B.K.Syngal and Mr.Sujit Mohanty, Directors retire by rotation at the ensuing Annual General Meeting and being eligible offers themselves for re-appointment.

AUDITORS

M/s N.M.Raiji & Co., Chartered Accountants, Mumbai, the Statutory Auditors of your Company, who hold office until the conclusion of the forthcoming Annual General Meeting being eligible, offer themselves for re-appointment. Accordingly, the members may re-appoint M/s N.M.Raiji & Co., as Statutory Auditors of the Company for the financial year 2008-09.

ACKNOWLEDGEMENTS

Your Directors take this opportunity to thank all Principals, Customers, Vendors, Business Partners, Bankers, Financial Institutions and Regulatory authorities for their continued support. Your Directors also place on record their appreciation to the dedicated and committed team of employees for their contribution towards the growth of the Company during the year under review.

For and on behalf of the Board

Place : Mumbai
Date : 17th April, 2008

B.RAMASWAMY
Director

Information as per Section 217(2A) of the Companies Act, 1956 - read with the Companies (Particulars of Employees) Rules 1975 as amended and forming part of the Directors' Report for the year ended 31st March, 2008.

Name	Age (Years)	Qualification	Designation & Nature of Duties	Remuneration (Rs.)	Experience (Years)	Date of Joining	Previous Employment
Sujit Mohanty	41	MA & PGDM	Associate Vice President & Director	3,241,299	19	01.02.1991	Sr. Marketing Executive Academy of Computer Education
Mohan Muthuraj	38	B.Tech, PDGM (IIMB)	Asst. Vice President Marketing	2,538,916	15	04.12.1995	Sr. Sales Engineer Larsen & Toubro Limited

Notes :

1. Remuneration includes Basic Salary, Allowances, Incentives, Commission, Company's contribution to PF, Superannuation Fund and taxable value of perquisites.
2. All appointments are contractual basis and none of the employees are related to any Director of the Company.
3. None of the employees own more than 2% of the outstanding shares of the Company as on 31st March, 2008.

Board of Directors :

B. Ramaswamy : Director
P. Srikar Reddy : Director
B. K. Syngal : Director
Sujit Mohanty : AVP & Director

Audit Committee :

B.K. Syngal : Chairman
P. Srikar Reddy
Sujit Mohanty

Company Secretary : Feroza Byramji
Auditors : N.M. Raiji & Co.



Sonata Information Technology Limited

MANAGEMENT REVIEW - INDIAN OPERATIONS

1. Revenues

Revenue has been increased by 43.86% to 5939.59 million during the year ended 31st March, 2008.

a) Products Business:

Products Business Group constituted 97.17% of the turnover of Indian Operations. There has been an increase of 47.02 % in the performance during the year ended 31st March, 2008 as compared to the same period in the last year.

b) Business Solutions:

Business Solutions Group constituted 0.90% of the turnover of Indian Operations.

c) IT Consulting:

The IT Consulting Group constituted 1.93% of the turnover of Indian Operations.

2. Operating Expenses

The operating expenses increased by 24% to Rs. 431.40 million for the year ended 31st March, 2008 from Rs. 347 million for the same period last year.

3. EBIDT

The operating margin increased by 70% at Rs. 96.32 million for the year ended 31st March, 2008 as compared to Rs. 56.78 million for the same period last year.

4. Profit After Tax

Profit after Tax increased by 107% at Rs. 58.37 million for the year ended 31st March, 2008 as compared to Rs. 28.13 million for the same period last year.

5. Interest and Borrowings

The Interest on borrowings has decreased by 37% to Rs. 5.90 million for the year ended 31st March, 2008 from Rs. 9.34 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 36.08% for the year ended 31st March, 2008 as compared to 24.95% for the same period last year.

7. Net Worth

The Return on Average Net Worth (RONW) was at 32.77% for the year ended 31st March, 2008 as compared to 18.73% for the same period last year.

8. Receivables

Debtors' number of days' sales was at 57 days for the year ended 31st March, 2008 as compared to 78 days for the same period last year.

9. Manpower

The total employee strength as on 31st March, 2008 was 147 as compared to 116 as on 31st March, 2007.

PERFORMANCE SUMMARY

1. Revenue

For the year ended 31st March, 2008:

- Revenue from Products Business was Rs. 5,771.57 million.
- Revenue from IT Consulting Business was Rs. 53.46 million.
- Revenue from Business Solutions was Rs. 114.55 million.

2. EBIDT

EBIDT for the year ended 31st March, 2008 was 1.62% of Total Income as compared to 1.38% for the same period last year.

3. Profit After Tax (PAT)

- PAT for the year ended 31st March, 2008 was at Rs. 58.37 million as against Rs. 28.13 million for the same period last year.
- Profit Margin stood at 0.98% as compared to 0.68% for the same period last year.

Sonata Information Technology Limited

AUDITOR'S REPORT

TO THE MEMBERS OF SONATA INFORMATION TECHNOLOGY LIMITED

We have audited the attached Balance Sheet of **SONATA INFORMATION TECHNOLOGY LIMITED** as at 31st March, 2008, and also the Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the Companies (Auditor's Report) Order, 2003 duly amended by DCA notification G.S.R. 766(E) dated 25th November, 2004 (hereinafter to be referred to as "the Order") 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.

Further to our comments in the Annexure referred to above, we report that:

1. 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;
2. 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;

3. The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
4. In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement 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, 2008 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2008 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 accounts 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, 2008;
 - b. In the case of the Profit and Loss Account, of the profit for the year ended on that date; and
 - c. In the case of the 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
Membership No: 33329

Place: Mumbai
Date : 17th April, 2008

Sonata Information Technology Limited

ANNEXURE TO THE AUDITOR'S REPORT OF EVEN DATE

1. (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of its fixed assets.
 - (b) 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.
 - (c) During the year, the Company has not disposed off substantial part of fixed assets.
2. (a) The stock of inventory has been physically verified at reasonable intervals during the year by the management.
 - (b) In our opinion and according to the information and explanations given to us, the procedures for physical verification of inventory followed by the management is reasonable and adequate in relation to the size of the Company and the nature of its business.
 - (c) The Company has maintained proper records of inventory and no discrepancies were noticed on physical verification as compared with the book records.
3. (a) The Company has not granted any loans, secured or unsecured, during the year to companies, firms and other parties listed in the register maintained under section 301 of the Companies Act, 1956.

Accordingly, sub-clause (b), (c) and (d) are not applicable.

 - (e) The Company has not taken any loans, secured or unsecured, during the year from companies, firms and other parties listed in the register maintained under section 301 of the Companies Act, 1956.

Accordingly, sub-clause (f) and (g) are not applicable.
4. In our opinion, there are adequate internal control systems commensurate with the size of the Company and the nature of its business with regard to purchase of inventory, fixed assets and for the sale of goods and services. During the course of our audit, no major weakness has been noticed in the internal controls.
5. Based on the audit procedures applied by us and according to the information and explanations given to us there are no transactions that need to be entered into the register in pursuance of section 301 of the Companies Act, 1956.
6. The Company has not accepted any deposits from the public.
7. 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.
8. According to the information and explanation given to us, maintenance of cost records have not been prescribed by the Central Government under section 209(1)(d) of the Act.
9. (a) According to the records of the Company, the Company is generally regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth-tax, service tax, custom duty, excise, cess and any other statutory dues applicable to it.
 - (b) According to the information and explanation given to us, there are no dues of income tax, sales tax, wealth tax, service tax, custom duty and cess which have not been deposited with the appropriate authorities on account of any dispute.
10. The Company does not have any accumulated losses at the end of the financial year and has not incurred cash losses in the financial year and in the immediately preceding financial year.
11. The Company has not defaulted in repayment of dues to a financial institution or bank or debenture holders.
12. Based on our examination and according to the information and explanations given to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. The Company is not a chit/nidhi/mutual benefit fund/society.
14. Based on our examination of the records and evaluation of the related internal controls, we are of the opinion that proper records have been maintained of the transactions and contracts in relation to investments and timely entries have been made in those records. We also report that the Company has held the investments in its own name.
15. On the basis of the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
16. The Company has not obtained any term loans.
17. On the basis of our examination of the books of accounts and the information and explanation given to us funds raised on short-term basis have not been used for long term investments.
18. The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Companies Act, 1956.
19. During the year the Company has not issued any debentures.
20. The Company has not raised any money by public issues during the year.
21. Based upon the audit procedures performed and information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.

For N. M. Raiji & Co.,
Chartered Accountants

Y. N. Thakkar

Partner

Place: Mumbai

Date : 17th April 2008

Membership No: 33329

Sonata Information Technology Limited

BALANCE SHEET AS AT 31ST MARCH, 2008

(Rs.)

	SCHEDULE	AS AT 31.03.2008	AS AT 31.03.2007
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Share Capital	1	33,753,940	45,005,250
Reserves and Surplus	2	165,766,131	111,739,294
		199,520,071	156,744,544
		1,141,157	585,457
		200,661,228	157,330,001
DEFERRED TAX LIABILITY			
TOTAL FUNDS EMPLOYED			
APPLICATION OF FUNDS			
FIXED ASSETS			
	3		
Gross Block		31,394,411	25,389,790
Less : Depreciation		22,085,276	18,080,991
Net Block		9,309,135	7,308,799
INVESTMENTS			
	4	180,246,449	100,130,743
CURRENT ASSETS, LOANS & ADVANCES			
Inventories	5	104,516,372	9,594,488
Sundry Debtors	6	925,774,242	877,206,022
Cash & Bank Balances	7	164,019,417	132,695,987
Other Current Assets	8	4,900,000	10,300,000
Loans and Advances	9	145,288,077	46,312,685
		1,344,498,108	1,076,109,182
Less: CURRENT LIABILITIES & PROVISIONS			
Current Liabilities	10	1,330,860,814	1,026,218,723
Provisions	11	2,531,650	-
		1,333,392,464	1,026,218,723
		11,105,644	49,890,459
		200,661,228	157,330,001
NET CURRENT ASSETS			
TOTAL FUNDS APPLIED			
NOTES FORMING PART OF ACCOUNTS			
	17		

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

BRIJENDRA K SYNGAL
Director

SUJIT MOHANTY
AVP & Director

FEROZA BYRAMJI
Company Secretary

Mumbai, 17th April, 2008



Sonata Information Technology Limited

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2008

(Rs.)

	SCHEDULE	YEAR ENDED 31.03.2008	YEAR ENDED 31.03.2007
INCOME			
Sales and Services (Net)	12	5,939,586,383	4,128,609,432
Other Income	13	18,061,884	14,659,683
Total Income		<u>5,957,648,267</u>	<u>4,143,269,115</u>
EXPENDITURE			
Operating and Other Expenses	14	431,439,860	347,038,338
Purchase of traded items		5,524,814,886	3,741,469,413
Interest	15	5,899,405	9,339,689
Depreciation		4,370,834	4,490,348
Bad Debts		-	149,248
		<u>5,966,524,985</u>	<u>4,102,487,036</u>
Add/(Less) : (Increase)/Decrease in Stocks	16	(94,921,884)	(2,170,623)
		<u>5,871,603,101</u>	<u>4,100,316,413</u>
Profit Before Tax		86,045,166	42,952,702
Provision for Tax (refer schedule 17, note 10)		27,673,320	14,818,954
Profit After Tax		58,371,846	28,133,748
Add : Balance of Profit brought forward from previous year		96,737,544	83,605,546
Less : Gratuity Provision as per revised AS 15		3,751,800	-
Less : Compensated Absences as per revised AS 15		593,209	-
Less : Transferred to Capital Redemption Reserve		11,251,310	15,001,750
Disposable Surplus		<u>139,513,071</u>	<u>96,737,544</u>
Balance carried to Balance Sheet		<u>139,513,071</u>	<u>96,737,544</u>
NOTES FORMING PART OF ACCOUNTS	17		
EPS - Basic (on Re.10/- per share)		14.48	5.23
EPS - Diluted (on Re.10/- per share)		14.48	5.23

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

BRIJENDRA K SYNGAL
Director

SUJIT MOHANTY
AVP & Director

FEROZA BYRAMJI
Company Secretary

Mumbai, 17th April, 2008

Sonata Information Technology Limited

SCHEDULES ATTACHED TO AND FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2008

(Rs.)

	AS AT 31.03.2008	AS AT 31.03.2007
SCHEDULE 1 : SHARE CAPITAL		
Authorised :		
10,000,000 Equity Shares of Rs.10/- each <i>(Previous year 10,000,000 Equity Shares of Rs.10/- each)</i>	<u>100,000,000</u>	<u>100,000,000</u>
Issued :		
6,000,700 Equity Shares of Rs.10/- each <i>(Previous year 6,000,700 Equity Shares of Rs.10/- each)</i>	<u>60,007,000</u>	<u>60,007,000</u>
Subscribed and Paid-Up :		
Opening balance	45,005,250	60,007,000
4,500,525 Equity Shares of Rs.10/- each <i>(Previous year 6,000,700 Equity Shares of Rs.10/ each)</i>		
Less: Buy back of Shares	<u>11,251,310</u>	<u>15,001,750</u>
1,125,131 Equity Shares of Rs.10/- each <i>(Previous year 1,500,175 Equity Shares of Rs 10/- each)</i>		
Closing balance	<u>33,753,940</u>	<u>45,005,250</u>
3,375,394 Equity Shares of Rs.10/- each <i>(Held by Holding company - Sonata Software Limited)</i> <i>(Previous year 4,500,525 Equity Shares of Rs.10/ each)</i>		
Of the above 3,374,694 Equity Shares have been allotted as fully paid pursuant to a contract without payment received in cash from Holding Company. <i>(Previous year 4,499,825 Equity Shares)</i>		
SCHEDULE 2 : RESERVES AND SURPLUS		
Capital Redemption Reserve*		
Opening balance	15,001,750	-
Add: During the year	<u>11,251,310</u>	<u>15,001,750</u>
	26,253,060	15,001,750
Profit and Loss Account	<u>139,513,071</u>	<u>96,737,544</u>
	165,766,131	111,739,294

*(Capital Redemption Reserve created on account of buyback of the shares)

SCHEDULE 3 : FIXED ASSETS

Assets	Gross Block			Depreciation				Net Block	
	Cost as at 01.04.2007	Additions	Deductions / Adjustments	Cost as at 31.03.2008	As at 01.04.2007	For the Year	Deductions / Adjustments	As at 31.03.2008	as at 31.03.2008
Leasehold Improvements	3,404,592 (3,404,592)	- (-)	- (-)	3,404,592 (3,404,592)	1,606,150 (719,630)	609,605 (886,520)	- (-)	2,215,755 (1,606,150)	1,188,837 (1,798,442)
Plant & Machinery	17,328,856 (15,047,893)	6,347,280 (2,280,963)	366,559 (-)	23,309,577 (17,328,856)	13,451,220 (10,150,953)	3,499,479 (3,300,267)	366,549 (-)	16,584,150 (13,451,220)	6,725,427 (3,877,636)
Furniture & Fixtures	2,730,564 (2,692,389)	- (38,175)	- (-)	2,730,564 (2,730,564)	1,968,061 (1,806,195)	137,941 (161,866)	- (-)	2,106,002 (1,968,061)	624,562 (762,503)
Motor Car & Vehicles	2 (2)	- (-)	- (-)	2 (2)	1 (1)	- (-)	- (-)	1 (1)	1 (1)
Air Conditioners & Other Equipments	1,925,776 (1,829,136)	23,900 (122,915)	- (26,275)	1,949,676 (1,925,776)	1,055,559 (924,734)	123,809 (141,695)	- (10,870)	1,179,368 (1,055,559)	770,308 (870,217)
TOTAL	25,389,790 (22,974,012)	6,371,180 (2,442,053)	366,559 (26,275)	31,394,411 (25,389,790)	18,080,991 (13,601,513)	4,370,834 (4,490,348)	366,549 (10,870)	22,085,276 (18,080,991)	9,309,135 (7,308,799)

Notes:

- Figures in brackets pertain to previous year ended 31st March, 2007.
- Plant and Machinery includes Computer and Software.

	AS AT 31.03.2008	AS AT 31.03.2007
(Rs.)		
SCHEDULE 4 : INVESTMENTS		
SHORT TERM UNITS (QUOTED)		
Standard Chartered Mutual Fund <i>(8006485.5740 units at Rs 10.0055 per unit)</i> <i>(Market Value Rs.10.0055 per unit aggregating Rs.80,108,891)</i> <i>(Previous year 100,120.73 units at Rs 1000.10 per unit)</i>	80,108,891	100,130,743
Birla Sun Life Liquid Plus <i>(10006591.0560 units at Rs 10.0068 per unit)</i> <i>(Market Value Rs.10.0068 per unit aggregating Rs.100,137,558)</i> <i>(Previous Year Nil)</i>	100,137,558	-
	<u>180,246,449</u>	<u>100,130,743</u>
SCHEDULE 5 : INVENTORIES		
Finished Products	<u>104,516,372</u>	<u>9,594,488</u>
SCHEDULE 6 : SUNDRY DEBTORS		
Unsecured		
Debts outstanding for a period exceeding six months		
Considered Good	40,132,642	99,107,886
Considered Doubtful	-	209,005
	40,132,642	99,316,891
Other debts : Considered Good	885,641,600	778,098,136
	<u>925,774,242</u>	<u>877,415,027</u>
Less: Provision for Doubtful Debts	-	209,005
	<u>925,774,242</u>	<u>877,206,022</u>
SCHEDULE 7 : CASH AND BANK BALANCES		
Cash on hand	162,950	150,047
Balances with Scheduled Banks		
In Current Accounts	43,856,467	132,484,813
In Deposit Accounts	120,000,000	61,127
	<u>164,019,417</u>	<u>132,695,987</u>
SCHEDULE 8 : OTHER CURRENT ASSETS		
Income Accrued but not due	<u>4,900,000</u>	<u>10,300,000</u>
SCHEDULE 9 : LOANS AND ADVANCES		
Unsecured		
<i>(Considered good, unless otherwise stated)</i>		
Loans to Employees	4,508	-
Advances recoverable in cash or in kind or for value to be received	26,631,267	22,617,150
Advance payment of tax (net of provisions)	118,652,302	23,695,535
	<u>145,288,077</u>	<u>46,312,685</u>
SCHEDULE 10 : CURRENT LIABILITIES		
Sundry Creditors		
Micro and Small Enterprises	-	-
Others	810,051,803	606,689,568
	810,051,803	606,689,568
Due to Holding company	9,404,665	17,317,236
Other Liabilities	511,404,346	402,211,919
	<u>1,330,860,814</u>	<u>1,026,218,723</u>
SCHEDULE 11 : PROVISIONS		
Provision for Compensated Absence	768,148	-
Provision for Gratuity	1,763,502	-
	<u>2,531,650</u>	<u>-</u>

Sonata Information Technology Limited

Schedules (Contd.)

	(Rs.)	
	YEAR ENDED 31.03.2008	YEAR ENDED 31.03.2007
SCHEDULE 12 : SALES AND SERVICES (NET)		
Sales	5,841,848,925	4,011,287,315
Services	97,737,458	117,322,117
	5,939,586,383	4,128,609,432
SCHEDULE 13 : OTHER INCOME		
Interest received	971,488	4,998,835
Foreign Exchange Variation (net)	8,974,248	4,363,186
Excess Provisions no longer required	1,782,999	209,789
Profit on sale of Investments	54,034	-
Profit on sale of Fixed Assets (Net)	9,990	-
Dividend received	4,867,136	2,150,989
Miscellaneous Income	1,401,989	2,936,884
	18,061,884	14,659,683
SCHEDULE 14 : OPERATING AND OTHER EXPENSES		
Salaries, Wages, Bonus and Allowances (Including Directors' remuneration)	161,857,276	117,224,670
Contribution to Provident Fund and other Funds	7,283,966	3,674,180
Staff Welfare Expenses	503,033	497,356
	169,644,275	121,396,206
Power and Fuel	920,534	900,083
Rent	9,812,622	8,181,502
Rates & Taxes	19,084,422	20,526,558
Insurance	481,492	204,227
Repairs to :		
Plant and Machinery	452,536	26,912
Others	3,397,672	1,945,771
	3,850,208	1,972,683
Travelling and Conveyance Expenses	9,727,882	10,139,382
Legal, Professional and Technical Fees	8,535,796	10,879,258
Communication Cost	4,061,277	4,100,166
Auditor's Remuneration :		
Audit Fees	400,000	400,000
Certification fees	100,000	100,000
Out of pocket expenses	15,300	38,354
	515,300	538,354
Royalty	2,986,275	3,717,958
Commission on Sales	12,174,150	8,689,054
Miscellaneous Expenses	39,789,289	38,172,454
Loss on fixed assets discarded	-	9,424
Service charges paid to Holding Company	149,856,338	117,611,029
	431,439,860	347,038,338
SCHEDULE 15 : INTEREST		
Interest	5,899,405	9,339,689
SCHEDULE 16 : (INCREASE)/DECREASE IN STOCKS		
Opening Stock		
In Process	-	-
Finished Products	9,594,488	7,423,865
	9,594,488	7,423,865
Closing Stock		
In Process	-	-
Finished Products	104,516,372	9,594,488
	104,516,372	9,594,488
(Increase)/Decrease in Stocks	(94,921,884)	(2,170,623)

SCHEDULE 17: NOTES FORMING PART OF THE ACCOUNTS

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:

	<u>Rates of Depreciation</u>	
	<u>Sch.XIV Rate</u>	<u>Rate Adopted</u>

Computers & Software 16.21% 33.33%
Leasehold Improvements are stated at cost and are amortised over the lease period.

b) INVENTORIES

- Finished goods are valued at lower of cost (weighted average) or net realisable value.
- 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 product life cycle.

c) SALES & SERVICES

Sales is recognized on despatch of goods to the customer. Technical Service Contracts/Software Revenue is recognized 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) EMPLOYEE BENEFITS

(i) Defined Contribution Plan

Company's contributions paid/payable during the year to Superannuation Fund, ESIC and Labour Welfare Fund are recognized in the Profit and Loss Account. There are no other obligations other than the contribution payable to the respective Trusts. Company's Contribution towards Superannuation and ESIC is based on a percentage of salary which is made to an approved fund.

(ii) Defined Benefit Plan

Company's Contribution towards Provident Fund is based on a percentage of salary which is made to an approved fund.

Company's Contribution towards Gratuity is made to an approved fund as per actuarial valuation certificate obtained from an actuary which is determined using projected unit credit method.

(iii) Short term compensated absences are provided as per actuarial valuation certificate obtained from an actuary which is determined using projected unit credit method.

(iv) Long term employee benefit

Long term compensated absences are provided as per actuarial valuation certificate obtained from an actuary which is determined using projected unit credit method.

(v) Actuarial gains/losses are immediately taken to profit and loss account and are not deferred.

2. Contingent Liabilities on disputed Income Tax demands (Inclusive of Interest Charged) Rs. Nil (Rs.50,147,581).

This amount excludes :

(a) Rs.218,239,587 (Rs.218,239,587) being the tax liability on account of Departmental Appeal before Judicial Authorities related to non-deductions of tax at source by the Company on payments made for purchase of software to non residents read with the fact that a major supplier of such software has already paid the above tax deductible at source which has been accepted by judicial authorities.

(b) Rs.923,214,674 (Rs.923,214,674) being the consequential disallowance of payments for purchase of software in terms of (a) above.

3. Estimated amount of contracts remaining to be executed and not provided (net of advances) Rs. 135,200 (Rs821,833)

4. Remuneration and perquisites to Director

	<u>31.03.2008</u>	<u>31.03.2007</u>
Salary	3,010,075	2,358,878
Contribution to PF & Superannuation Fund	198,256	171,046
Reimbursement of Medical Expenses and Education Expenses	27,000	15,000
Other Perquisites as calculated under IT Act, 1961	5,968	3,104
	<u>3,241,299</u>	<u>2,548,028</u>

5. Value of Imports calculated calculated on CIF basis

Traded Goods	<u>3,281,063,534</u>	<u>2,057,362,691</u>
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6. Expenditure incurred in Foreign Currency on account of

Travelling	1,467,788	2,263,031
Royalty	2,986,275	3,717,958
	<u>4,454,063</u>	<u>5,980,989</u>

7. Earnings in Foreign Exchange

Software services rendered	6,214,040	13,656,005
Sales Traded Products	26,666,003	16,518,135
	<u>32,880,043</u>	<u>30,174,140</u>

Sonata Information Technology Limited

Schedules (Contd.)

8. QUANTITY AND VALUE PARTICULARS OF TRADING ACTIVITIES FOR THE YEAR ENDING 31ST MARCH, 2008 (Rs.)

Particulars	Opening Stock		Purchases		Sales		Closing Stock	
	Qty	Value (Rs.)	Qty	Value (Rs.)	Qty	Value (Rs.)	Qty	Value (Rs.)
Computer Software Packages	2,985 (847)	9,594,488 (3,229,619)	1,333,278 (566,376)	5,524,814,886 (3,741,469,413)	1,316,819 (564,238)	5,841,848,925 (4,011,287,315)	19,444 (2,985)	104,516,372 (9,594,488)

9. Income from sales & services includes loss on account of exchange fluctuation of Rs 260,689 for the current year ended 31st March, 2008 and gain of Rs. 101,923 for previous year ended 31st March, 2007.
10. Provision for taxation for the year ended 31st March, 2008 consists of following:

	(Rs.)
Income Tax	25,963,768* (13,445,744)
Deferred Taxes: DTL	555,700 (288,113)
Fringe Benefit Tax	1,153,852 (1,085,097)
Total	27,673,320 (14,818,954)

* Includes for F.Y.2006-07 Rs.1,22,807/-

11. Significant component of Company's Deferred Tax Asset (Liability) is as follows: (Rs.)

	DTA	DTL	Net DTA/DTL
Depreciation	- (-)	1,141,157 (585,457)	-1,141,157 (-585,457)
Others	- (-)	- (-)	- (-)
Total	- (-)	1,141,157 (585,457)	-1,141,157 (-585,457)

12. The Working Capital facility of the Company is secured by hypothecation of inventories and book debts both present and future.
13. Previous year's figures are shown in brackets and have been regrouped, wherever necessary to conform to current year's classification.

14. RELATED PARTY TRANSACTIONS

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

Remuneration of Director

Name	Salary
Sujit Mohanty	3,241,299 (2,548,028)

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 three common directors. Amounts included in the financial statements of the Company are in relation to administrative services and normal business transactions with SSL, as given below:

	Balance as on 01.04.07	Transactions during the year	Amount paid/received during the year	Balance as on 31.03.08
Sales	- (-)	10,230,476 (13,989,108)	10,230,476 (13,989,108)	- (-)
Deputation Expenses	- (2,556,698)	100,295,870 (55,127,246)	100,295,870 (57,683,941)	- (-)
Service charges	17,317,236 (14,350,699)	149,856,338 (117,611,029)	160,332,343 (114,644,492)	6,841,231 (17,317,236)
Inter Corporate Deposit	- (-)	- (60,000,000)	- (60,000,000)	- (-)
Interest on Inter Corporate Deposit	- (-)	- (483,288)	- (483,288)	- (-)
Others	- (1,068,498)	2,563,434 (13,663,680)	- (14,732,178)	2,563,434 (-)
Total	17,317,236 (17,975,895)	262,946,118 (260,874,351)	270,858,689 (261,533,010)	9,404,665 (17,317,236)

15 EMPLOYEE BENEFITS :

Gratuity *

(a) Defined benefit plan (Funded) - As per actuarial valuation as on March 31, 2008.

(Rs.)

I Change in Obligation during the year ended March 31, 2008		
1	Present value of Defined Benefit Obligation at beginning of the year	5,175,848
2	Current Service Cost	646,457
3	Interest Cost	431,194
4	Actuarial (Gains)/Losses	765,968
5	Benefits Paid	(864,764)
6	Present value of Defined Benefit Obligation at the end of the year	6,154,703
Note: The present value of obligation as at 31st March, 2008 for Gratuity includes Rs.3,751,800 adjusted to Profit and Loss Account opening balance as at 01.04.07 on adoption of AS15 (revised).		
II Change in Assets during the year ended March 31, 2008		
1	Plan assets at the beginning of the year	1,424,084
2	Expected return on plan assets	414,670
3	Contributions by Employer	4,191,675
4	Actual benefits paid	(864,764)
5	Actuarial Gains/ (Losses)	(774,464)
6	Plan Assets at the end of the year	4,391,201
III Net Asset/(Liability) recognised in the Balance Sheet as at March 31, 2008		
1	Present Value of Defined Benefit Obligation	6,154,703
2	Fair value of plan assets	4,391,201
3	Fund status (Surplus/(Deficit))	(1,763,502)
4	Net Assets /(Liability)	(1,763,502)
IV Expenses recognised in the statement of Profit & Loss for the year ended March 31, 2008		
1	Current Service Cost	646,457
2	Interest Cost	431,194
3	Expected return on plan assets	(414,670)
4	Net Actuarial (Gains)/Losses	1,540,432
5	Total Expense	2,203,413

V	The major categories of plan assets as a percentage of total plan Insurer Managed Funds	100%
VI	Actuarial Assumptions:	
1	Discount Rate	8%
2	Expected rate of return on plan assets	8%
3	Mortality Table	LIC (1994-96) Ultimate
4	Retirement Age	60 Years

Amount recognized as an expense and included in Schedule 14 under "contribution to provident fund and other funds".

- (b) The Guidance issued by the Accounting Standard Board (ASB) on implementing AS-15, Employee benefits (revised 2005) states that provident funds set up by employers which requires interest short fall to be met by the employer, needs to be treated as defined benefit plan. The fund does not have any existing deficit or interest shortfall. In regard to any future obligation arising due to interest shortfall (i.e. government interest to be paid on provident fund scheme exceeds rate of interest earned on investment) pending the issuance of the Guidance Note from the Actuarial Society of India, the Company's actuary has expressed his inability to reliably measure the same.
- (c) Basis used to determine expected rate of return on assets. The expected return on planned assets is based on market expectation at the beginning of the period for returns over the entire life of the related obligation. The Gratuity Scheme is invested in Group Gratuity Scheme with HDFC Standard Life Insurance Company Limited. The expected return on assets assumption is taken based on current market yield.
- (d) The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.
- (e) Amounts for the current period are as follows:

(Rs.)

Present value of Defined benefit obligation	6,154,703
Fair Value of Plan Assets	4,391,201
Surplus / (deficit)	(1,763,502)

- * The above information is available only for the current year, the past periods have not been furnished
 - (f) Estimated Contribution for the next year on account of gratuity Rs.758,296.
 - (g) Contribution/Provisions to superannuation and other funds stated under defined contribution plan is Rs.11,29,228.
 - (h) Based on Actuarial valuation Compensated Absences, as per AS 15 (Revised) of Rs.593,209 for the period up to 31st March, 2007 has been adjusted to profit & loss account opening balance as on 01.04.2007.
- 16.** There are no Micro, Small and Medium Enterprises, as defined in the Micro, Small, Medium Enterprises Development Act, 2006 to whom the Company owes

dues on account of principal amount together with interest and accordingly no additional disclosures have been made.

The above information regarding Micro, Small and Medium Enterprises has been determined to the extent such parties have been identified on the basis of information available with the Company. This has been relied upon by the auditors.

17. 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 year Rs.8,760,511 (Rs.7,419,599).

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

BRIJENDRA K SYNGAL
Director

SUJIT MOHANTY
AVP & Director

FEROZA BYRAMJI
Company Secretary

Mumbai, 17th April, 2008

LIST OF RELATED PARTIES & NATURE OF RELATIONSHIP

	List of Related Parties	Nature of Relationship
S.B.Ghia Chairman of Sonata Software Ltd.	Bhupati Investments & Finance Pvt. Ltd.	Significant Influence (through VIPL), Spouse R.S.Ghia as Chairperson and brother's wife V.D.Ghia as Director
	Chika Pvt. Ltd.	Son N.S.Ghia is Managing Director and self as Chairman
	Viraj Investments Pvt. Ltd. (VIPL)	Self (Chairman) and spouse, brother's wife are Directors
M.D.Dalal Executive Vice Chairman of Sonata Software Ltd.	Daltreya Investment & Finance Pvt. Ltd.	Spouse & sister are Directors
Rajan B Raheja Director of Sonata Software Ltd.	Suman R Raheja	Wife
	Akshay R Raheja	Son
	Viren R Raheja	Son
	Excelsior Construction Pvt. Ltd	100% shareholding by Rajan B Raheja & his family
	Gstaad Investments & Finance Pvt. Ltd.	100% shareholding by Rajan B Raheja & his family
	Trophy Investments & Finance Pvt. Ltd.	100% shareholding by Rajan B Raheja & his family
B Ramaswamy Director of SITL	Sonata Software Ltd.	Managing Director & President
	TUI InfoTec GmbH, Germany	Member of Supervisory Board
P Srikar Reddy Director of SITL	Sonata Software Ltd.	Executive Vice President & COO
	TUI InfoTec GmbH, Germany	Managing Director
	Abisko Development Ltd., Cyprus	Director
Sujit Mohanty		Director of SITL
Sonata Software Ltd.		Holding Company

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

Sonata Information Technology Limited

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	31.03.2008		

II Capital raised during the year (Rs.)

Public Issue	NIL	Rights Issue	NIL
Bonus Issue	NIL	Private Placement	NIL

III Position of mobilisation and deployment of funds (Rs.)

Total Liabilities	200,661,228	Total Assets	200,661,228
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Sources of Funds

Paid Up Capital	33,753,940	Reserves & Surplus	165,766,131
Secured Loans	NIL	Unsecured Loans	NIL
Deferred Tax Liability	1,141,157		

Application of Funds

Net Fixed Assets	9,309,135	Investments	180,246,449
Net Current Assets	11,105,644	Deferred Tax Asset	NIL
Accumulated Losses	NIL	Misc. Expenditure	NIL

IV Performance of Company (Rs.)

Turnover	5,957,648,267	Total Expenditure	5,871,603,101
Profit Before Tax	86,045,166	Profit After Tax	58,371,846
Earning Per Share	14.48	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 Containing 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

BRIJENDRA K SYNGAL
Director

SUJIT MOHANTY
AVP & Director

FEROZA BYRAMJI
Company Secretary

Mumbai, 17th April, 2008

Sonata Information Technology Limited

CASH FLOW STATEMENT

(Rs.)

	YEAR ENDED 31.03.2008	YEAR ENDED 31.03.2007
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit before Tax	86,045,166	42,952,702
Adjustments for:		
Depreciation	4,370,834	4,490,348
Interest	5,899,405	9,339,689
Interest received	(971,488)	(4,998,835)
Bad debts	-	149,248
Provision no longer required	(1,782,999)	(209,789)
(Profit)/Loss on sale of Fixed Assets	(9,990)	9,424
Dividend received	(4,867,136)	(2,150,989)
Profit on sale of Investments	(54,034)	-
Operating Profit before Working Capital Changes	88,629,758	49,581,798
Adjustments for:		
Decrease/(Increase) in Sundry Debtors	(48,568,220)	133,224,919
Decrease/(Increase) in Inventories	(94,921,884)	(2,170,623)
Decrease/(Increase) in Other Current Assets	5,400,000	12,404,136
Decrease/(Increase) in Loans and Advances	(125,546,650)	(4,647,868)
(Decrease)/Increase in Current Liabilities & Provisions	304,611,731	(120,867,472)
(Decrease)/Increase in Deferred Tax Liability	555,700	(288,113)
Cash generated from operations	130,160,435	67,236,777
Interest paid	(5,899,405)	(9,339,689)
Direct taxes / Advance tax paid	(1,102,062)	(1,000,759)
Net Cash from Operating Activities (A)	123,158,968	56,896,329
B. CASH FLOW FROM INVESTING ACTIVITIES		
Dividend received	4,867,136	2,150,989
Interest received	971,488	4,998,835
Purchase of Fixed Assets	(6,371,180)	(2,442,053)
Sale of Fixed Assets	10,000	5,981
Sale of Investments	1,108,766,453	658,520,246
Purchase of Investments	(1,188,828,125)	(758,650,989)
Net Cash used in Investing Activities (B)	(80,584,228)	(95,416,991)
C. CASH FLOW FROM FINANCING ACTIVITIES		
Payment towards buy back of Shares	(11,251,310)	(15,001,750)
Net cash from Financing Activities (C)	(11,251,310)	(15,001,750)
Net increase/(decrease) in Cash and Cash Equivalents (A+B+C)	31,323,430	(53,522,412)
Opening Cash and Cash Equivalents	132,695,987	186,218,399
Closing Cash and Cash Equivalents	164,019,417	132,695,987

Sonata Information Technology Limited

Cash Flow Statement (Contd.)

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 31.03.2008	YEAR ENDED 31.03.2007
Cash on hand and balance with banks	164,276,387	131,815,632
Cash and Cash Equivalents	164,276,387	131,815,632
Effect of exchange rate change	(256,970)	880,355
Cash and Cash Equivalents as restated	164,019,417	132,695,987

(Rs.)

2 The Company has undrawn borrowing facilities of Rs. 2100 Lacs.

3 Direct taxes / Advance tax paid during the Year ended 31.03.2008 amounted to Rs. 11.02 lacs.

4 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

BRIJENDRA K SYNGAL

Director

SUJIT MOHANTY

AVP & Director

FEROZA BYRAMJI

Company Secretary

Mumbai, 17th April, 2008

Sonata Software Limited

SHAREHOLDERS' INFORMATION

1. Exchanges listed at

Bombay Stock Exchange Ltd. (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.
No.51, Stock Exchange Towers
1st Cross, J.C.Road
Bangalore - 560 027.

2. Listing Fees

Paid for all the above stock exchanges for FY 2007-08

3. Stock Code

532221 (BSE)
Sonatsoftw (NSE)

4. Book Closure period

2nd June to 10th June, 2008 (both days inclusive)

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

10th June, 2008 at 4.00 p.m. at
M.C. Ghia Hall
Bhogilal Hargovindas Building
18/20, Kaikhushru Dubash Marg
(Behind Prince of Wales Museum)
Mumbai - 400 001.

6. Financial Year

1st April, 2007 to 31st March, 2008

7. Dividend Payout date

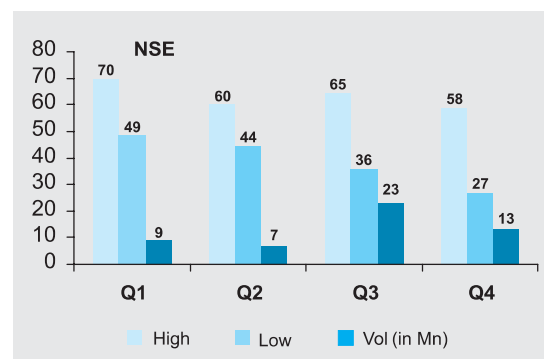
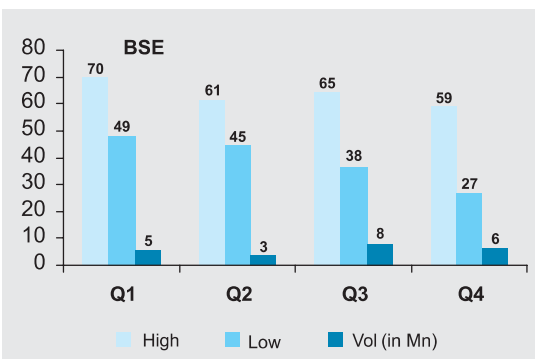
16th June, 2008 onwards.

8. Stock Market Data

Quarterly high and low quotations and total volume of shares (approx) traded at BSE & NSE during Financial Year 2007-08 :

Quarter ended	BSE			NSE		
	High (Rs.)	Low (Rs.)	Volume (in Mn)	High (Rs.)	Low (Rs.)	Volume (in Mn)
30th June, 2007 (Q1)	70	49	5	70	49	9
30th Sept, 2007 (Q2)	61	45	3	60	44	7
31st Dec, 2007 (Q3)	65	38	8	65	36	23
31st March, 2008 (Q4)	59	27	6	58	27	13

Note : The share prices have been rounded off.



9. **Market Capitalisation as on 31.03.2008** : Rs.338 Crores
(as per closing price in BSE)
10. **No. of Employees as on 31.03.2008** : 1878
11. **No. of Shareholders as on 31.03.2008** : 37703
12. **No of shares traded during 2007-08** : BSE - 222 Lacs (approx)
: NSE - 518 Lacs (approx)
13. **Communication regarding share transfers, share certificates, dividends, and change of address etc may be addressed to :**
Karvy Computershare Private Ltd.
Registrars & Share Transfer Agents,
No.51/2, TKN Complex, Vanivilas Road,
Opp. National College, Basavanagudi,
Bangalore - 560 004.
Tel : (080) 26620003-5, 26621184
Fax : (080) 26621169 Email : bangalore@karvy.com

14. Share Transfer System :

As the Company's shares are traded in dematerialised form, the transfers are processed and approved in electronic form by NSDL/CDSL through their depository participants. Transfer of shares in physical form are processed by the Registrar and Share Transfer Agents, Karvy Computershare Pvt Ltd and approved by the Share Transfer Committee. The physical shares sent for transfer are registered and returned within an average period of 10 days from the date of receipt, if the documents are clear in all respects.

Total number of physical shares transferred during the year ended 31st March, 2008 :

Transfer Period (Days)	No. of transferees (Folios)	No. of shares	%
1-10	43	294625	100.00
Above 11	-	-	-
Total	43	294625	100.00

15. Monthly Transfers during FY 2007-08 :

Month	No. of shares	%
April'07	2000	0.68
May'07	3025	1.02
June'07	20000	6.79
July'07	-	-
August'07	32500	11.03
September'07	54500	18.50
October'07	73800	25.05
November'07	-	-
December'07	1000	0.34
January'08	-	-
February'08	70000	23.76
March'08	37800	12.83
Total	294625	100.00

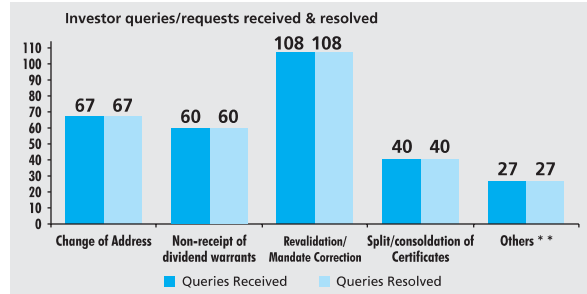
16. Shares dematted during FY 2007-08:

Month	No. of requests	No. of Shares
April'07	3	3000
May'07	6	15350
June'07	8	14600
July'07	1	1000
August'07	2	3000
September'07	3	5150
October'07	6	6150
November'07	3	4000
December'07	9	13150
January'08	7	7000
February'08	2	3000
March'08	20	179625
Total	70	255025

17. Investors' Services :

Queries/Requests received during the year ended 31st March, 2008, most of which were attended to within 7 days from date of receipt.

Nature of Queries/Requests	Received	Cleared
Change of Address	67	67
Non-receipt of dividend warrants	60	60
Revalidation/Mandate Correction	108	108
Split/consolidation of Certificates	40	40
Others **	27	27
TOTAL	302	302

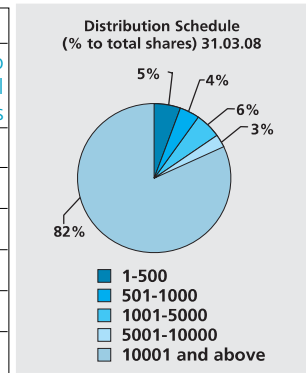


** Queries in respect of the following :

Non receipt of Annual Reports, Non-receipt of share certificates after sub-division/transfer, Loss of share certificate, etc.

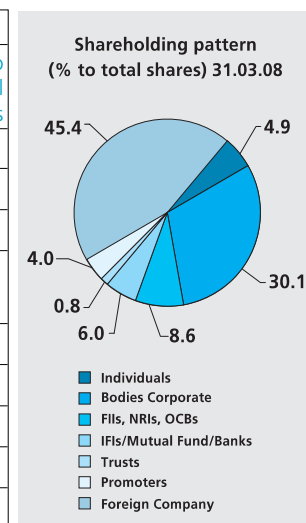
18. Distribution Schedule :

Category	31.03.2008				31.03.2007			
	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	29919	79	5080272	5	26936	78	4658226	4
501-1000	4135	11	3684863	4	3974	12	3609895	4
1001-5000	2813	8	6591284	6	2780	8	6744046	6
5001-10000	404	1	3070004	3	452	1	3430190	2
10001 and Above	432	1	86732883	82	493	1	86716949	84
Total	37703	100	105159306	100	34635	100	105159306	100



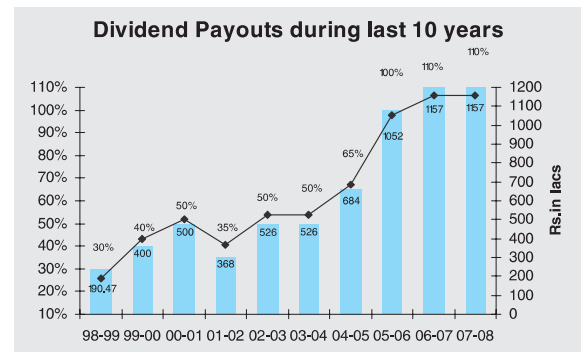
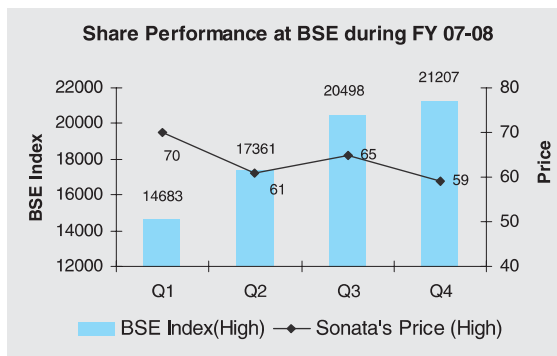
19. Shareholding Pattern :

Category	31.03.2008				31.03.2007			
	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	36259	96.17	31646768	30.1	33186	95.82	34700588	33.0
Bodies Corporate	819	2.17	9093430	8.6	848	2.45	7397098	7.0
FIs, NRIs, OCBs	492	1.31	6286414	6.0	441	1.27	3271135	3.1
IFIs/Mutual Funds/Banks	6	0.02	847054	0.8	6	0.02	2896501	2.8
Trusts	5	0.01	4179496	4.0	4	0.01	3840577	3.7
Promoters	25	0.07	47747850	45.4	24	0.07	47747850	45.4
Foreign Company	1	0.00	5150506	4.9	1	0.00	5152506	4.9
Clearing members	96	0.25	207788	0.2	125	0.36	153051	0.1
Total	37703	100	105159306	100	34635	100	105159306	100



20. Shares held in Physical & Electronic form :

Particulars	31.03.2008		31.03.2007	
	No. of shares	% of holding	No. of shares	% of holding
Physical	6155494	5.85	6410519	6.10
Electronic	99003812	94.15	98748787	93.90
Total	105159306	100.00	105159306	100.00

21. Share Performance & Dividend Payouts :

For FY 2007-08, interim dividend payout was @ 50% and now a final dividend @60% has been recommended

22. Financial calendar (subject to change) :

Annual General Meeting for the year ended March 31, 2008	10 th June, 2008
Financial results for the first quarter ended June 30, 2008	July, 2008
Financial results for the second quarter ended September 30, 2008	Oct, 2008
Financial results for the third quarter ended December 31, 2008	Jan, 2009
Financial results for the year ending March 31, 2009	Apr, 2009
Annual General Meeting for the year ending March 31, 2009	June, 2009

23. Investors' correspondence may be addressed to :

Company Secretary or
 Sonata Software Ltd
 1/4 APS Trust Building, Bull Temple Road
 N R Colony, Bangalore - 560 019, India.
 Tel : (080) 26610330 Fax : (080) 26610972
 Email : investor@sonata-software.com

Karvy Computershare Pvt Ltd
 Registrars & Share Transfer Agents
 No.51/2, TKN Complex, Vanivilas Road
 Opp.National College, Basavanagudi
 Bangalore - 560 004, India.
 Tel : (080) 26620003-5, 26621184
 Fax : (080) 26621169
 Email : einward.ris@karvy.com
<http://www.sonata-software.com>

24. Website address of the Company on the internet :



MEMORANDUM INFORMATION

Offshore Digital Services, Inc.

REPORT OF INDEPENDENT AUDITORS

To the Board of Directors of Offshore Digital Services, Inc.

We have audited the accompanying balance sheet of **Offshore Digital Services, Inc.** as of 31st March, 2008 and 2007, 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above presents fairly, in all material respects, the financial position of Offshore Digital Services, Inc. as of 31st March, 2008 and 2007, 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. is a wholly owned subsidiary of Sonata Software Limited, and has significant transactions with its parent company.

Wilson Markle Stuckey Hardesty & Bott

8th April, 2008

BALANCE SHEET AS AT 31ST MARCH, 2008

	US\$	
	AS AT 31.03.2008	AS AT 31.03.2007
Assets		
Current Assets		
Cash and Cash Equivalents	253,368	480,235
Accounts Receivable, Net of Allowance of \$15,000 (2007 - \$15,000)	2,287,622	1,162,882
Prepaid Expenses	43,891	18,604
Total Current Assets	2,584,881	1,661,721
Property and Equipment, at Cost	275,646	262,363
Accumulated Depreciation	(251,873)	(242,701)
Property and Equipment, net	23,773	19,662
Deposits and other assets	25,763	63,149
Total Assets	2,634,417	1,744,532
Liabilities and Net Capital Deficiency		
Current Liabilities		
Accounts Payable	-	13,123
Accounts Payable - Sonata, net	2,877,056	2,472,921
Accrued Expenses	398,786	489,441
Total Current Liabilities	3,275,842	2,975,485
Preferred stock, \$0.0001 par value, redeemable, liquidation value of \$1.00 per share, 2,500,000 shares authorized, issued and outstanding (2007 - 2,500,000 shares)	2,500,000	2,500,000
Net Capital Deficiency		
Common stock, \$0.0001 par value, 3,500,000 shares authorized, 300,000 shares issued and outstanding (2007 - 300,000)	300,000	300,000
Retained earnings (accumulated deficit)	(3,441,425)	(4,030,953)
Total Net Capital Deficiency	(3,141,425)	(3,730,953)
Total Preferred Stock and Net Capital Deficiency	(641,425)	(1,230,953)
Total Liabilities and Net Capital Deficiency	2,634,417	1,744,532

Offshore Digital Services, Inc.

STATEMENT OF OPERATIONS AND RETAINED EARNINGS FOR THE YEAR ENDED 31ST MARCH, 2008

	US\$	
	YEAR ENDED 31.03.2008	YEAR ENDED 31.03.2007
Computer programming services		
Revenues	11,055,127	9,754,401
Direct costs	9,413,310	8,135,172
Gross margin	<u>1,641,817</u>	<u>1,619,229</u>
Expenses		
Sales, general and administrative	1,024,481	838,232
Depreciation	9,172	10,422
Total expenses	<u>1,033,653</u>	<u>848,654</u>
Income before taxes	608,164	770,575
Taxes on income	18,636	21,397
Net income	589,528	749,178
Retained earnings (accumulated deficit)		
Beginning of year	(4,030,953)	(4,780,131)
End of year	<u>(3,441,425)</u>	<u>(4,030,953)</u>

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31ST MARCH, 2008

	US\$	
	YEAR ENDED 31.03.2008	YEAR ENDED 31.03.2007
Cash flows from Operating Activities		
Net income	589,528	749,178
Adjustments to reconcile net income to net cash provided (used) by operating activities		
Depreciation	9,172	10,422
Changes in Current Assets and Liabilities		
Accounts receivable	(1,124,740)	460,293
Prepaid expenses	(25,287)	11,264
Accounts payable	(13,123)	(132,410)
Accrued expenses	(90,655)	(31,456)
Net Cash provided (used) by operating activities	(655,105)	1,067,291
Cash flows from investing activities		
Purchases of property & equipment	(13,283)	(2,833)
Net change in deposits & other assets	37,386	(45,356)
Net Cash provided (used) by investing activities	24,103	(48,189)
Cash flows from financing activities		
Redemption of preferred shares	-	(2,000,000)
Net change in accounts payable - Sonata	404,135	1,014,112
Net Cash provided (used) by financing activities	404,135	(985,888)
Change in Cash and Cash Equivalents	(226,867)	33,214
Cash and Cash Equivalents, beginning of year	480,235	447,021
Cash and Cash Equivalents, end of year	<u>253,368</u>	<u>480,235</u>
Supplemental Cash flow information		
Cash paid for income taxes	16,136	21,397

Offshore Digital Services, Inc.

NOTES TO FINANCIAL STATEMENTS AT 31ST MARCH, 2008

Note 1 Summary of Significant Accounting Policies

Basis of Presentation

Offshore Digital Services, Inc. (ODSI) is a California corporation formed on 17th April, 1992 and based in Fremont, California. ODSI provides computer-programming services to companies throughout the United States. Sonata Software Limited (Sonata), a corporation based in India that owns all of the outstanding 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 from five to seven years. ODSI generally capitalizes acquisitions exceeding \$500.

Accounts Receivable and Revenue

ODSI derives substantially all its revenue from software consulting services provided by its employees, independent contractors and Sonata employees, all billed on an hourly and/or a man-month 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 to the financial position of ODSI.

Allowance for Uncollectible Accounts Receivable

ODSI uses the allowance method to account for uncollectible accounts receivable. Under this method, ODSI reviews all

receivables for any collection problems. If ODSI determines that there may be a collection problem, it estimates an allowance for the receivable. When attempts to collect a specific receivable are unsuccessful, ODSI considers the account uncollectible and writes it off against the allowance.

Taxes on Income

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 carry forwards, based a more likely than not assessment.

Credit risk and Concentrations

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 years ended 31st March, 2008 and 2007, cash and cash equivalents on deposit with a commercial bank exceeded federal deposit insurance limits.

Revenue from a series of contracts with four companies comprised approximately 67% of total revenues for the year ended 31st March, 2008. Revenue from a series of contracts with four companies comprised approximately 46% of total revenues for the year ended 31st March, 2007. Amounts due from four companies comprised approximately 68% of total accounts receivable as of 31st March, 2008. Amounts due from one company comprised approximately 28% of total accounts receivable as of 31st March, 2007.

Use of Estimates

ODSI prepares its financial statements in accordance with accounting principles generally accepted in the United States (US-GAAP). The preparation of financial statements in conformity with US-GAAP requires management to make estimates and

assumptions. Actual results could differ from those estimated.

Estimated Fair Value of Financial Instruments

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.

Reclassification

ODSI reclassified certain prior year amounts to conform to the current year presentation.

Note 2 – Sonata Software Limited

Sonata owns all of the outstanding stock of ODSI. Under an agreement between ODSI and Sonata, Sonata develops and produces computer programs. Sonata has the necessary technical skills and capabilities to meet the ODSI software development and production requirements from its Offshore Development Centre in India. Employees of Sonata perform work as defined by ODSI purchase orders.

During the years ended 31st March, 2008 and 2007, ODSI and Sonata based charges between them on the cost of the services rendered. During the years ended 31st March, 2008 and 2007, ODSI paid or otherwise accrued charges totaling \$7,798,643 and \$6,646,768, respectively, to Sonata for contract programming services. In addition, Sonata reimbursed ODSI for certain payroll and administrative costs that ODSI incurred on behalf of Sonata.

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. As of 31st March, 2008 and 2007, ODSI nets the various related receivables and payables, which reconcile as follows:

	US\$	
	As at 31.03.2008	As at 31.03.2007
Accounts Payable Sonata – Software Development and other charges	3,181,192	2,613,190
Accounts Receivable Sonata – Living allowance and reimbursements	304,136	140,269
Accounts Payable – Sonata, net	2,877,056	2,472,921

Note 3 – Income Taxes

ODSI has available federal and state tax loss carry forwards to offset future taxable income. Federal loss carry forwards, expiring at various times through 2022, total approximately

\$2,911,000. ODSI has recorded a 100% valuation allowance against the deferred tax asset resulting from the loss carry forwards. ODSI has no other material deferred income tax assets or liabilities.

Income tax expense for the years ended 31st March, 2008 and 2007, consist principally of state taxes on income for which net operating loss carry forwards are not available and/or minimum taxes apply.

Note 4 – Preferred Stock

In September 2001, ODSI authorized and issued 6,500,000 shares of preferred, non-voting stock to Sonata for \$6,500,000, and used the proceeds to repay notes payable and other amounts due to Sonata. During the years ended 31st March, 2008 and 2007, ODSI redeemed -0-(Zero) and 2,000,000 shares of the preferred stock for \$-0-(Zero) and \$2,000,000, respectively. The preferred stock has a stated liquidation preference of \$1.00 per share. The preferred stock had a cumulative annual dividend of 2% (amended from 8% in October 2003 but effective from the issuance date). In January 2007, ODSI amended its articles of incorporation to eliminate cumulative dividend for the preferred stock and preferential treatment with respect to any future dividends. The preferred stockholders have the option to redeem the preferred stock, beginning in September 2005.

Note 5 – Retirement Plan

ODSI maintains a defined contribution pension plan for the benefit of its employees. Eligible employees may defer a portion of their salary into the plan. ODSI matches employee contributions to the plan. During the year ended March 31, 2008, ODSI made matching contributions to the plan totaling \$27,622.

Note 6 – Commitments and Contingencies

ODSI leases office facilities under various cancelable and non-cancelable operating leases expiring through September 30, 2008. Future minimum payments under the non-cancelable leases for each year ended March 31, 2009, total \$8,880

Office facility and other rent expense that ODSI charged to operations, net of reimbursements received from Sonata, for the years ended 31st March, 2008 and 2007, totaled \$83,815 and \$61,807, respectively.

Sonata Software GmbH

CERTIFICATION OF INDEPENDENT AUDITORS

We have audited the accompanying balance sheet of Sonata Software GmbH as of 31st March, 2008 and the related statements of operation for the period 1st April, 2007 to 31st March, 2008. These financial statements are in the responsibility of the management of Sonata Software GmbH. 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 by the auditing profession in Germany. Those standards require that we plan and perform the review to obtain reasonable assurance about whether the financial statements are free of material misstatement.

In our opinion, the financial statements referred to above presents fairly, in all material respects, the financial position of Sonata Software GmbH as of 31st March, 2008 and the results of its operations for the aforesaid period, in conformity with accounting principles generally accepted in Germany

Sonata Software GmbH is wholly owned subsidiary of Sonata Software Limited.

Cologne, 4th April, 2008

O & R

Oppenhoff & Rädler AG

BALANCE SHEET

	Euro	
	AS AT 31.03.08	AS AT 31.03.07
ASSETS		
A. Fixed assets		
I. Tangible assets		
1. Other plant, factory and office equipment	-	452,00
B. Current assets		
I. Debtors and other assets		
1. Trade debtors	58.412,09	-
2. Other assets	3.040,26	2.095,14
II. Cheque, cash on hand, federal bank and postal giro accounts, cash at banks	186.045,22	172.738,72
C. Prepayments and deferred charges	275,00	776,65
Carry forward	247.772,57	176.062,51
LIABILITIES AND EQUITY		
A. Equity		
I. Subscribed capital	25.000,00	25.000,00
II. Capital reserve	25.000,00	25.000,00
III. Unappropriated profit brought forward	11.939,64	(354,98)
IV. Profit for the year	24.193,52	12.294,62
B. Accruals		
1. Tax Accruals	19.516,57	7.611,57
2. Other Accruals	38.500,00	14.000,00
C. Creditors		
1. Trade Creditors	42.449,40	40.934,84
- thereof with a remaining term of up to one year Euro 42.449,40 (Euro 40.934,84)		
2. Amounts due to investee companies	32.312,13	18.402,00
- there with a remaining term of up to one year Euro 32.312,12 (Euro 18.402,00)		
3. Other creditors	28.861,31	33.174,46
- thereof for taxes Euro 28,861.31 (Euro 33,174.46)		
Carry forward		
- thereof for social security costs Euro 3.215,84 (Euro 0,00)		
- thereof with a remaining term of upto 1 year Euro 28.861,31 (Euro 33.174,46)		
	247.772,57	176.062,51

PROFIT AND LOSS ACCOUNT

	Euro	
	01.04.07 to 31.03.08	01.04.06 to 31.03.07
1 Sales revenues	1.085.619,41	280.513,44
2 Total output	1.085.619,41	280.513,44
3 Other operating income		
a) Other extraordinary income in connection with ordinary business activities	-	9.220,69
4 Staff costs		
a) Wages and salaries	735.914,79	139.077,81
b) Social security costs and pension and welfare expense	95.268,21	20.599,49
5 Depreciation		
a) On intangible fixed assets, tangible assets and capitalised start-up and expansion costs	452,00	448,00
6 Other operating expenses		
a) Ordinary operating loss		
i) Cost of premises	3.396,46	3.278,53
ii) Insurance premiums, contributions and dues	714,80	215,00
iii) Travel and advertising costs	24.600,00	-
iv) Distribution costs	30.000,00	15.000,00
v) Various operating costs	157.983,73	90.501,11
7 Interest and similar items	1.190,90	-
8 Profit from ordinary activities	36.098,52	20.614,19
9 Taxes on profit	11.905,00	8.319,57
10 Profit for the year	24.193,52	12.294,62

TUI InfoTec GmbH, Hannover

To,
Sonata Software Ltd., Bangalore

We have prepared the consolidated financial statements of TUI InfoTec GmbH, Hannover, for the period starting from 1st April, 2007 to 31st March, 2008, in accordance with the German Commercial Law (HGB). These consolidated financial statements have been audited by an independent auditor.

TUI InfoTec GmbH

Heinz Kreuzer **Klaus Speder**

SPECIAL PURPOSE FINANCIAL INFORMATION

GROUP BALANCE SHEET

ASSETS

	EURO	
	AS AT 31.03.2008	AS AT 31.03.2007
A. Fixed assets		
I. Intangible assets		
Concessions, industrial property and similar rights and assets, and licences in such rights and assets	2,345,008.14	2.290.684,00
II. Tangible asset		
Factory and office equipment	6.370,556,70	7.146.225,34
III. Financial assets		
1. Shares in group undertakings	20.276.83	20,276.83
2. Companies measured at equity	715.948,14	736.224,97
B. Current assets		
I. Inventories		
1. Work in progress	281.474,50	-
2. Finished goods and goods for resale	105.142,18	386.616,68
II. Receivables and other assets		
1. Trade account receivables	18.328.888,04	13.404.271,33
2. Amounts owed by associated companies	100.000,00	-
3. Other current assets	303.154,39	18.732.042,43
III. Bank balances	5.544.674,07	13.889.535,13
C. Prepaid expenses	3.225.545,35	4.206.668,94
D. Deferred tax assets	1.267.355,01	-
	38.608.023,35	42.164.671,39

EQUITY AND LIABILITIES

	EURO	
	AS AT 31.03.2008	AS AT 31.03.2007
A. Equity		
I. Subscribed capital	1.000.000,00	1.000.000,00
II. Capital reserves	1.387.068,68	1.387.068,68
III. Consolidated profits for the period	6.162.655,10	3.576.275,74
IV. Minority interests	260.383,99	223.518,19
B. Provisions		
1. Provisions for pensions	7.936.465,00	9.852.532,00
2. Tax provisions	3.350.903,00	1.346.518,23
3. Other provisions	13.300.048,14	24.587.416,14
C. Liabilities		
1. Trade creditors	1.408.050,16	5.149.526,64
2. Amounts owed to affiliated companies	467.703,88	44.273,17
3. Amounts owed to associated companies	-	9.482,34
4. Other liabilities	3.308.738,65	5.184.492,69
D. Deferred income and accrued expenses	24.072,00	166,60
E. Deferred tax liabilities	1.934,75	-
	38.608.023,35	42.164.671,39

TUI InfoTec GmbH, Hannover

(Contd.)

SPECIAL PURPOSE FINANCIAL INFORMATION

CONSOLIDATED PROFIT AND LOSS ACCOUNT

	EURO		
	01.04.07 to 31.03.08	01.11.06 to 31.03.07	
1. Turnover	111.961.655,25		50.668.824,05
2. Changes in work in progress	281.474,50		
3. Other operating income	2.684.064,72	114.927.194,47	1.523.985,38
4. Cost of materials and purchased services			
a) Cost of materials	-		142.934,34
b) Cost of purchased services	58.981.679,05	58.981.679,05	27.860.591,54
5. Gross profit	55.945.515,42	24.189.283,55	
6. Staff costs			
a) Wages and salaries	27.951.761,84		12.070.818,36
b) Social security, pension and other benefits	5.842.438,35	33.794.200,19	2.400.046,25
7. Amortization and depreciation of fixed intangible and tangible assets	5.805.426,05		2.901.281,79
8. Other operating expenses	9.661.161,63		3.326.551,48
9. Result from companies measured at equity	104.247,89		165.116,39
10. Other interest and similar income	2.421.446,74		1.060.358,22
11. Interest and similar expenses	160.158,34		47.575,86
12. Profit on ordinary activities	9.050.263,84	4.668.484,42	
13. Effects of the change of accounting policies	1.313.076,97		-
14. Taxes on income	2.359.514,25		1.027.747,74
15. Other taxes	23.475,13		5.510,21
16. Profit for the year	7.980.351,43	3.635.226,47	
17. Profit owed to other shareholders	153.413,83		58.950,73
18. Consolidated profits for the period	7.826.937,60	3.576.275,74	
19. Profit carry forward	3.576.275,74		-
20. Dividends paid	5.240.558,24		-
21. Consolidated profits	6.162.655,10	3.576.275,74	

GROUP CASH FLOW STATEMENT

	EURO	
	01.04.07 to 31.03.08	01.11.06 to 31.03.07
Net result	7.980.351,43	3.635.226,47
Write-downs on non-current assets	5.805.426,05	2.901.281,79
Decrease of accruals and provisions	(4.867.993,09)	(979.040,29)
Other non cash expenses related income and expenses	(4.247,89)	(165.116,39)
Decrease / Increase of inventories, trade receivables and other assets not related to investing or financing activities	(5.505.309,63)	5.280.885,61
Increase of trade payables and other liabilities not related to investing or financing activities	(1.311.900,10)	2.122.625,31
Cash flows from operating activities	2.096.326,77	12.795.862,50
Payments received from disposals of tangible and intangible assets	134.432,00	89.302,00
Purchase of property, plant and equipment	(1.901.056,49)	(280.010,03)
Purchase of intangible assets	(3.317.457,06)	(1.271.496,10)
Disposals of non-current financial assets	-	1.050.000,00
Cash flows from investing activities	(5.084.081,55)	(412.204,13)
Distribution to minority shareholders	(116.548,03)	(50.175,13)
Distribution to shareholders	(5.240.558,24)	-
Cash receipts from payments in to capital reserves	-	927.323,64
Cash flows from financing activities	(5.357.106,27)	877.148,51
Change in cash funds from cash relevant transactions	(8.344.861,05)	13.260.806,88
Cash funds at the beginning of period	13.889.535,13	628.728,25
Cash funds at the end of period	5.544.674,08	13.889.535,13



Sonata Europe Limited

THE DIRECTORS' REPORT

The directors have pleasure in presenting their report and the financial statements of the company for the year ended 31st March, 2008.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the company during the year was that of an investment holding company and provision of software development and services.

During the year the company secured contracts for provision of software development and services in line with the plans in the previous year and also received dividends from its investment in the shares in TUI InfoTec GmbH. The directors are satisfied with the results for the year and the financial position at the balance sheet date which are in line with expectations.

RISKS

The risks facing the company are primarily driven by market conditions but also operational and financial. Whilst management works diligently at identifying and mitigating the latter as far as possible it has no control over the former.

The principal risks to which the company is exposed is outlined in the Financial Risk Management Objectives and Policies, detailed below.

FUNDING

During the year the company raised £ 3,376,300 by issue of further Preference Shares and the directors are satisfied that the company currently has sufficient working capital to meet its liabilities as and when they fall due.

KEY PERFORMANCE INDICATORS

The Company achieved a turnover from provision of software development and services of £223,075 (2007 - £ nil). The Company also received dividends in respect of its shareholding in TUI InfoTec GmbH of £1,891,659 (2007 - £nil). There are no other key performance indicators to report upon in view of this year being the first full year of operations.

FUTURE DEVELOPMENTS

The company is continuing to market the provision of software development and services to its existing clients as well as prospective clients with a view to increasing the revenues from this source.

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £383,700. The directors do not recommend payment of a dividend on the ordinary or the preference shares.

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The financial risk management objectives and policy is to maintain sufficient liquidity and working capital so that the company can always meet its liabilities as and when they fall due.

At the reporting date, the main risks to which the company was exposed are as follows:

Interest rate risk

The bank borrowing is at an interest rate that is linked to EURIBOR and hence an increase in EURIBOR will have an impact on the interest cost.

Foreign currency risks

The company has foreign currency exposure on its bank borrowing in Euros. However, the bank borrowing as well as the subsequent were in Euros. Since the income from the investment will be in Euros it will hedge the currency risk.

Liquidity risk

The company is cash positive and aims to ensure that sufficient funds are always available for its operating activities. Whilst there is no requirement for additional working capital at present, the Board will continue to monitor the company's cash requirements.

Repayment of bank borrowings

The company has bank borrowings, which are repayable over a period of 3 years from April 2008. The repayments are expected to be funded from the company's profits and also from the income from the investment.

DIRECTORS

The directors who served the company during the year were as follows:

Mr. V Desai

Mr. S Ramarao (appointed 1 July, 2007)

POLICY ON THE REPAYMENT OF CREDITORS

The company is responsible for agreeing the terms and conditions under which the business transactions with its supplier are conducted. It is company policy that payments to suppliers are made in accordance with these terms, provided that the supplier complies with all relevant terms and conditions.

DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of the affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the directors are aware:

- there is no relevant audit information of which the company's auditor is unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

AUDITOR

A resolution to re-appoint Lubbock Fine as auditor for the ensuing year will be proposed at the annual general meeting in accordance with section 385 of the Companies Act 1985.

Approved by the directors on 10 April 2008 and signed on their behalf by:

Mr. S Ramarao
Director



Sonata Europe Limited

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF SONATA EUROPE LIMITED YEAR ENDED 31 MARCH, 2008

We have audited the financial statements of Sonata Europe Limited for the year ended 31 March, 2008, which have been prepared on the basis of the accounting policies set out in the Notes to the Financial Statements.

This report is made solely to the company's shareholders, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in an auditor's 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 opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTOR AND AUDITOR

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities in the Directors' Report.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the director in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

OPINION

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31st March, 2008 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

Lubbock Fine
Chartered Accountants
& Registered Auditors

Russell Bedford House
City Forum, 250 City Road
London EC1V 2QQ

Date: 10th April, 2008

Sonata Europe Limited

PROFIT AND LOSS ACCOUNT YEAR ENDED 31ST MARCH, 2008

	Note	Year to 31 Mar 08	Period from 25 Sep 06 to 31 Mar 07
TURNOVER	2	223,075	-
Cost of sales		(179,066)	-
GROSS PROFIT		44,009	-
Administrative expenses		(166,745)	(47,068)
OPERATING LOSS	3	(122,736)	(47,068)
Income from fixed asset investments	6	1,891,659	-
Interest receivable		10,545	9,570
Interest payable and similar charges	7	(1,395,768)	(128,118)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		383,700	(165,616)
Tax on profit/(loss) on ordinary activities	8	-	-
PROFIT/(LOSS) FOR THE FINANCIAL YEAR		383,700	(165,616)
Balance brought forward		(165,616)	-
Balance carried forward		<u>218,084</u>	<u>(165,616)</u>

All of the activities of the company are classed as continuing. The company has no recognised gains or losses other than the results for the year as set out above.

BALANCE SHEET AS AT 31ST MARCH, 2008

	Note	2008	2007
FIXED ASSETS			
Investments	9	12,688,116	12,688,116
CURRENT ASSETS			
Debtors	10	128,312	74,821
Cash at bank		1,113,472	659,117
		<u>1,241,784</u>	<u>733,983</u>
CREDITORS:			
Amounts falling due within one year	11	(57,262)	(76,776)
NET CURRENT ASSETS		1,184,522	657,162
TOTAL ASSETS LESS CURRENT LIABILITIES		13,872,638	13,345,278
CREDITORS:			
Amounts falling due after more than one year	12	(3,561,254)	(12,839,194)
		<u>10,311,384</u>	<u>506,084</u>
CAPITAL AND RESERVES			
Called-up share capital	13	10,093,300	671,700
Profit and loss account		218,084	(165,616)
SHAREHOLDERS' FUNDS	14	10,311,384	506,084

These financial statements were approved by the Directors on 10th April, 2008 and are signed by :

Mr. S. Ramarao
Director

CASH FLOW STATEMENT YEAR ENDED 31ST MARCH, 2008

	Note	Year to 31 Mar 08	Period from 25 Sep 06 to 31 Mar 07
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	15	(179,526)	(112,490)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Income from group undertakings		1,891,659	-
Interest received		10,545	9,570
Interest paid		(564,126)	(89,672)
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		1,338,078	(80,102)
ACQUISITIONS AND DISPOSALS		-	(12,659,185)
CASH INFLOW/(OUTFLOW) BEFORE FINANCING		1,158,552	(12,851,777)
FINANCING			
Issue of equity share capital		3,376,300	671,700
Issue of shares classed as financial liabilities		-	6,045,300
(Repayment of) / Increase in bank loans		(4,080,497)	6,793,894
NET CASH INFLOW FROM FINANCING		(704,197)	13,510,894
INCREASE IN CASH	15	454,355	659,117

Sonata Europe Limited

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31ST MARCH, 2008

1. ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared under the historical cost convention, and in accordance with applicable accounting standards.

Consolidation

Under the provision of Section 228 of the Companies Act 1985, the company is exempt from preparing consolidated accounts and has not done so. The accounts therefore show information about the company as an individual entity. The company is exempt from preparing consolidated accounts as it is consolidated in the accounts of Sonata Software Limited, the ultimate parent company.

Fixed asset investments

Fixed asset investments are shown at cost less provision for impairment in value. Income from fixed asset investments is included in the financial statements when it is received.

Turnover

The turnover shown in the profit and loss account represents amounts receivable during the year, exclusive of Value Added Tax.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax.

Deferred tax assets are recognised only to the extent that the Directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

Financial instruments

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as either financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

Finance costs

Finance costs are written off to the profit and loss accounts over the life of the related loan, in accordance with Financial Reporting Standard No. 4.

Dividends

Dividends are included in the financial statements when they are paid, in accordance with Financial Reporting Standards No. 21.

2. TURNOVER

The turnover relates to the company's activity of provision of software development and services and a geographical analysis of turnover is as follows:

	Year to 31 Mar 08	Period from 25 Sep 06 to 31 Mar 07
	(£)	(£)
United Kingdom	190,615	-
Overseas	32,460	-
	<u>223,075</u>	<u>-</u>

3. OPERATING LOSS

Operating loss is stated after charging/(crediting):

Net profit on foreign currency translation	(117,237)	(12,2296)
Auditor's remuneration - audit of the financial statements	3,500	2,350
Auditor's remuneration - other fees	<u>11,826</u>	<u>16,039</u>
The analysis of auditor's remuneration is as follows:		
Auditor's remuneration - audit of the financial statements	3,500	2,350
Auditor's remuneration - other fees		
- Taxation services	3,540	3,995
- Accountancy services	4,715	5,875
- Secretarial services	3,571	6,169
	<u>11,826</u>	<u>16,039</u>

4. PARTICULARS OF EMPLOYEES

The average number of staff employed by the company during the financial year amounted to:

Number of administrative staff	<u>1</u>	<u>1</u>
The aggregate payroll costs were:		
Wages and salaries	170,512	22,325
Social security costs	<u>21,162</u>	<u>2,696</u>
	<u>191,674</u>	<u>25,021</u>

	Year to 31 Mar 08	Period from 25 Sep 06 to 31 Mar 07
	(£)	(£)
5. DIRECTORS' EMOLUMENTS		
The directors' aggregate emoluments in respect of qualifying services were:		
Emoluments receivable	170,512	22,325
6. INCOME FROM FIXED ASSET INVESTMENTS		
Dividends from group undertakings	1,891,659	-
7. INTEREST PAYABLE AND SIMILAR CHARGES		
Interest payable on bank borrowing	547,911	128,118
Other similar charges payable	847,857	-
	<u>1,395,768</u>	<u>128,118</u>
8. TAXATION ON ORDINARY ACTIVITIES		
(a) Analysis of charge in the year		
Current tax:		
UK Corporation tax based on the results for the year at 30% (2007-30%)	115,110	-
Relief for overseas taxation	(115,110)	-
Total Current Tax	<u>-</u>	<u>-</u>
There was no prior period charge to corporation tax due to the losses incurred in that period. At the balance sheet date a deferred tax asset of £46,186 (2007 - £49,485) existed as a result of the tax losses carried forward at that date. This has not been recognised in the accounts of the company due to the uncertainty over future profits to utilise such losses against.		
(b) Factors affecting current tax charge		
The tax assessed on the profit on ordinary activities for the year is the same as the standard rate of corporation tax in the UK of 30% (2007 - 30%).		
Profit on ordinary activities before taxation	383,700	-
Profit on ordinary activities at 30%	115,110	-
Relief for overseas taxation	(115,110)	-
Total current tax (Note 8 (a))	<u>-</u>	<u>-</u>

9. FIXED ASSET INVESTMENTS

(£)

Shares in subsidiary company COST

At 1st April, 2007 and 31st March, 2008

12,688,116**NET BOOK VALUE**At 31st March, 2007 and 200812,688,116

On 24th November, 2006, the company purchased 50.1% of the issued share capital of TUI InfoTec GmbH, a company registered and operating in Germany as an information technology service provider. The investment shown above includes £519,376 relating to acquisition costs.

10. DEBTORS

	2008 (£)	2007 (£)
Trade debtors	51,952	-
Other debtors	12,974	-
Prepayments and accrued Income	63,386	74,821
	<u>128,312</u>	<u>74,821</u>

The prepayments relate solely to costs incurred in obtaining the bank loan detailed in note 12, of which £39,616 (2007 - £54,415) will be amortised after more than one year.

11. CREDITORS**Amounts falling due within one year**

	2008 (£)	2007 (£)
VAT	10,977	-
Other creditors	17,057	28,931
Accruals	29,228	47,845
	<u>57,262</u>	<u>76,776</u>

12. CREDITORS**Amounts falling due after more than one year**

Bank loans	3,561,254	6,793,894
Preference shares classed as financial liabilities (see note 13)	-	6,045,300
	<u>3,561,254</u>	<u>12,839,194</u>

A bank loan of Euro 10,000,000 was obtained on 23rd November, 2006. The loan is repayable in full by October 2010, with six monthly capital repayments commencing on 30th April, 2008. Interest is payable at EURIBOR plus 1.75%.

The bank loan is secured:

- By a corporate guarantee from Sonata Software Limited, the parent company of Sonata Europe Limited.
- Over the shares held by Sonata Software Limited in the company and a charge over the assets of Sonata Software Limited.

13. SHARE CAPITAL

	2008 (£)	2007 (£)
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Authorised share capital:

1,000,000 Ordinary shares of £1 each	1,000,000	1,000,000
--------------------------------------	-----------	-----------

15,000,000 2% non-cumulative redeemable convertible preference shares of £1 each (classified as an equity instrument)	15,000,000	-
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7,000,000 2% non-cumulative redeemable convertible preference shares of £1 each (classified as a financial liability)	-	7,000,000
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	16,000,000	8,000,000
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	2008 (£)	2007 (£)
--	-------------	-------------

Allotted, called up and fully paid up:

Ordinary shares of £1 each	671,700	671,700
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2% non cumulative redeemable convertible preference shares of £1 each (classified as equity instrument)	9,421,600	9,421,600
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2% non cumulative redeemable convertible preference shares of £1 each (classified as a financial liability)	-	6,045,300
---	---	-----------

	10,093,300	10,093,300
--	-------------------	-------------------

Preference shares included in creditors (See note 12)	-	(6,045,300)
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	10,093,300	10,093,300
--	-------------------	-------------------

By a Special Resolution passed on 18 February, 2008, the company increased its authorised share capital from £8,000,000 to £16,000,000 by the creation of an additional 800,000 2% non cumulative redeemable preference shares of £1 each, ranking pari passu with the existing preference shares of £1 each. A further 3,376,300 2% non cumulative redeemable preferences shares of £1 each were issued at par on 19 February 2008 and the proceeds were utilised to part repay the bank loan.

In addition, by a Special Resolution passed on 18 February 2008 the Articles of Association were amended in respect of the redemption of preference shares whereby they are now redeemable three years after the allotment date in instalments spread over a maximum of five years, at the option of the company as opposed to at the option of the preference shareholder. Following this amendment the 6,045,300 preference shares of £1 each classified as financial liabilities in the balance sheet in 2007 were reclassified as equity instruments and included as share capital of the company in 2008.

The Preference shares have no voting rights and the dividend on them is non cumulative and payable subject to the availability of distributable profits.

The preference shares are convertible into ordinary shares on such terms and conditions as determined by the company.

14. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2008 (£)	2007 (£)
Profit/(Loss) for the financial year	268,590	(165,616)
New ordinary share capital subscribed	-	671,700
Preference shares reclassified as equity instruments	6,045,300	-
New preference share capital subscribed	3,376,300	-
Net addition to shareholders' funds	9,690,190	506,084
Opening shareholders' funds	506,084	-
Closing shareholders' funds	10,196,274	506,084

**15. NOTES TO THE STATEMENT OF CASH FLOWS
RECONCILIATION OF OPERATING LOSS TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES**

	Year to 31 Mar 08	Period from 25 Sep 06 to 31 Mar 07
	£	£
Operating loss	(122,736)	(47,068)
Increase in debtors	(53,491)	(74,821)
(Decrease)/Increase in creditors	(3,299)	9,399
Net cash outflow from operating activities	179,526	(112,490)

Sonata Europe Limited

Notes to Financial Statement (Contd.)

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2008 (£)	2007 (£)
Increase in cash in the period	454,355	659,177
Net cash outflow from/ (inflow) from bank loans	3,232,640	(6,793,894)
Net cash (inflow) from other long-term creditors	6,045,300	(6,045,300)
	<u>9,732,295</u>	<u>(12,180,077)</u>
Change in net debt	9,732,295	(12,180,077)
Net debt at 1 st April, 2007	(12,180,077)	-
Net debt at 31st March, 2008	<u>(2,447,782)</u>	<u>(12,180,077)</u>

16. RELATED PARTIES TRANSACTIONS

The company is a wholly owned subsidiary of Sonata Software Limited, the consolidated accounts of which are publicly available. Accordingly, the company has taken advantage of the exemption in Financial Reporting Standard No.8 from disclosing transactions with companies in the Sonata Software Limited group.

17. ULTIMATE PARENT COMPANY

The company's ultimate parent company is Sonata Software Limited, a company incorporated in India and listed on the Bombay Stock Exchange. Copies of the group accounts of Sonata Software Limited can be obtained from APS Trust Building, 1/4 Bull Temple Road, N R Colony, Bangalore 560 019, India.

ANALYSIS OF CHANGES IN NET DEBT

	(£)				
	At 1 Apr,07	Cash Flows	Exchange movement	Recla- ssified	At 31 Mar,08
Net cash:					
Cash in hand and at bank	659,117	454,355	-	-	1,113,472
Debt:					
Debt due after 1 year	(12,839,194)	4,080,497	(847,857)	6,045,300	(3,561,254)
Net debt	<u>(12,180,077)</u>	<u>4,534,852</u>	<u>(847,857)</u>	<u>6,045,300</u>	<u>(2,447,782)</u>



BOARD OF DIRECTORS

S B Ghia
Chairman

M D Dalal
Executive Vice Chairman

Viren Raheja
Director

Pradip P Shah
Director

B Ramaswamy
President & Managing Director

P Srikar Reddy
Executive Vice President & COO

S N Talwar
Director

B K Syngal
Director

COMMITTEES OF THE BOARD

AUDIT COMMITTEE

B K Syngal, Chairman
S B Ghia
Pradip P Shah

INVESTORS' GRIEVANCE COMMITTEE

S B Ghia, Chairman
B Ramaswamy
M D Dalal

SOLICITORS

M/s Talwar, Thakore & Associates
M/s Trilegal
Mr William E Horwich
M/s Gleiss Lutz
M/s Fladgate Fielder

AUDITORS

M/s N M Raiji & Co

COMPANY SECRETARY

Praveen Kumar D

INVESTOR QUERIES

investor@sonata-software.com

WEBSITE

www.sonata-software.com

REGISTERED OFFICE

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Email: info-useast@sonata-software.com

SUBSIDIARY COMPANIES

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Email: sitl@sonata-software.com
Auditors : M/s N M Raiji & Co

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Email: info-uswest@sonata-software.com
Auditors: Wilson Markle Stuckey Hardesty & Bott

Sonata Software GmbH
BCM Buero-Center an der Messe GmbH
Beethovenstraße, 8-10
60325 Frankfurt am Main, Germany
Tel: 49-699-755-4537, Fax: 49-699-755-4100
Email: info-germany@sonata-software.com
Auditors: O&R Oppenhoff & Radler AG

TUI InfoTec GmbH
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30625 Hannover, Germany
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Auditors: PricewaterhouseCoopers

Sonata Europe Ltd
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Auditors: Lubbock Fine

Abisko Development Limited
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Nicosia, Cyprus
Auditors : Ernst & Young

Sonata Software Limited

APS Trust Building, Bull Temple Road
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Tel: 91 80 26610330 | Fax: 91 80 26610972

www.sonata-software.com