



# Sustained Growth

**ANNUAL REPORT**  
2008 - 2009

## 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 31.03.2009	Quarter ended on 31.03.2008	Quarter ended on 31.03.2009	Quarter ended on 31.03.2008	Year ended on 31.03.2009	Year ended on 31.03.2008	Year ended on 31.03.2009	Year ended on 31.03.2008
TOTAL INCOME	3,709.23	3,890.76	590.47	552.58	16,022.21	14,594.27	2,446.30	2,011.03
EXPORTS	2,183.22	2,192.58	589.27	538.26	9,521.76	8,376.98	2,435.77	1,988.20
EBIDT	360.29	343.89	150.29	137.16	1,627.95	1,425.27	650.55	491.45
PROFIT AFTER TAX	172.23	168.98	128.73	105.67	765.68	585.19	533.59	366.89
FIXED ASSETS	1,909.91	1,837.30	272.36	293.10	1,909.91	1,837.30	272.36	293.10
TOTAL DEBT	33.75	283.44	-	-	33.75	283.44	-	-
NET WORTH -CLOSING	2,768.03	2,288.53	2,238.26	1,992.33	2,768.03	2,288.53	2,238.26	1,992.33
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 31.03.2009	Quarter ended on 31.03.2008	Quarter ended on 31.03.2009	Quarter ended on 31.03.2008	Year ended on 31.03.09	Year ended on 31.03.2008	Year ended on 31.03.2009	Year ended on 31.03.2008
EXPORTS INCOME/TOTAL INCOME	58.86%	56.35%	99.80%	97.41%	59.43%	57.40%	99.57%	98.86%
DOMESTIC INCOME/TOTAL INCOME	40.45%	42.41%	-	-	39.89%	40.47%	-	-
OTHER INCOME/TOTAL INCOME	0.69%	1.24%	0.20%	2.59%	0.68%	2.13%	0.43%	1.14%
OPERATING EXPENSES / TOTAL INCOME	53.19%	53.70%	71.93%	74.47%	53.25%	52.97%	72.29%	74.78%
EBIDT/TOTAL INCOME	9.71%	8.84%	25.45%	24.82%	10.16%	9.77%	26.59%	24.44%
PAT/TOTAL INCOME	4.64%	4.34%	21.80%	19.12%	4.78%	4.01%	21.81%	18.24%
DEBT: EQUITY <sup>1</sup>	0.01	0.12	-	-	0.01	0.12	-	-
DEBTORS NO. OF DAYS	69	57	66	65	64	61	64	70
RETURN ON AVG NETWORTH <sup>2</sup>	25.24%	30.11%	23.14%	21.35%	30.31%	28.16%	25.23%	19.42%
RETURN ON AVG CAPITAL EMPLOYED <sup>3</sup>	27.34%	28.06%	23.14%	21.35%	31.01%	25.29%	25.41%	19.49%
EPS (Annualised) (on Re.1/per share) <sup>4</sup>	6.55	6.43	4.90	4.02	7.28	5.56	5.07	3.49
BOOK VALUE PER SHARE -(Rs) <sup>5</sup>	25.97	21.35	21.16	18.83	24.04	19.76	20.12	17.96

#### EXPLANATORY NOTES :

<sup>1</sup> Debt divided by Closing Shareholders funds.

<sup>2</sup> Profits divided by Average Network.

<sup>3</sup> Profit after tax + Interest on term loan divided by Average Capital employed (Capital employed = Capital + Reserves + Borrowed funds).

<sup>4</sup> Profits divided by weighted average no. of equity shares.

<sup>5</sup> Average Networth divided by No. of equity shares.

# ANNUAL REPORT

## 2008 - 2009



### Sustained Growth

This has been a fascinating year at Sonata. In the face of strong headwinds, we have taken significant strategic steps that have consolidated our leadership position in the mid-tier IT solutions provider category. We entered a new geography, added a new Development Centre, ramped up our practices, established a new vertical, commemorated 10 years of listing by announcing a Special Interim Dividend and contributed to social causes. And in the middle of all this, we grew faster this year than in the previous year.

But it hasn't been easy. At a time when business realities and pressures are changing by the minute, we are often faced with one underlying concern. How do we balance the sometimes conflicting interests of our investors, our business partners, our society and our employees and still retain our high rate of growth? In Sonata, we follow a simple philosophy - we keep the customer at the heart of everything we do. That we have grown despite the strong headwinds is validation that the strategy is working.

# Sustained Growth



## **A foundation built over the years**

An important characteristic of our growth story is that it is built over time. Be it our geographic diversity, the spread of our services, powerful alliances, technology leadership, a strong employee backbone, our inorganic strategy or our financial prudence, every little bit of what we are today is a result of careful planning and diligent execution done over the years. Nothing in Sonata is short-sighted, no matter how lucrative the returns. Perhaps it is this that leads us to build relationships that are long lasting.

## **Diverse. Differentiated. Determined.**

But companies all over the world have been forced to relook at their IT spending in the last one year. How then, have we ensured that our engagements with our customers have yielded them the highest return on their investments? At Sonata, we are committed to unlocking value in every assignment that we take up. We are constantly looking beyond traditional ways of engaging with our customers and leveraging technology to deliver outstanding performance. We have deliberately kept our services portfolio diverse, to cater to a wider spectrum of our customers' requirements. Most importantly, we are determined that the solutions that we offer are functionally differentiated and give a competitive edge to our customers. Our customers appreciate these efforts, and reward us by staying engaged with us year after year.

## **Renewing skills on technology**

One of the cornerstones of the Sonata Advantage is our ability to stay ahead of the technology curve. Over the last year, we have taken many initiatives to keep ourselves on the cutting edge of technology. Empowered by the strength of our alliances with global technology majors, we have built state-of-the-art Centers of Excellence (CoE's) and/or Practices that showcase solution prototypes developed on new platforms.

# Sustained Growth

# Sustained Growth



## Expanding our boundaries

Even in a challenging economic background, we continue to grow undeterred. In the belief that we have value to offer to enterprises in other parts of the world, we have further expanded our boundaries this year. In addition to our existing offices in the United States, Europe and India, we have also opened an office in Dubai. This will cater to the IT solution and services requirements of companies in the GCC countries. We are now present across all the major markets and hence are better insured against specific geographic uncertainties.

## Relentless drive to enhance operational efficiency

At all times, Sonata pursues operational efficiency with fervor. We are constantly benchmarking ourselves with the best in the industry and cutting waste to remain lean and efficient. This helps us stay agile and responsive. And competitive.

## Believing in ourselves

All the progress that we have made over the years is predominantly due to the “can-do” attitude of our employees – or Sonatians, as we like to be called. The one pervasive force that binds Sonatians is our allegiance to the Sonata values. This is ably complemented by our ability to think innovatively, and to come up with solutions that are both ingenious and inspired. Empowerment is a way of life in Sonata. Little wonder then that Empowered People, Enduring Relationships is etched into our company's Mission Statement.

## Exciting times ahead

As always, the validation of our success lies in our ability to generate sustained competitive edge for our customers. We are known for our ability to be flexible, agile and to stretch the extra mile for our stakeholders. And perhaps this is what brings new enterprises to our doorstep. For even in the face of a downturn (or perhaps especially so!), more and more enterprises are talking to us to help them ride over these tough times. As we stand poised to face yet another new year, we have the quiet confidence of a company that has done it before – and will do it again. The mood in Sonata is upbeat and cheerful. And prepared.



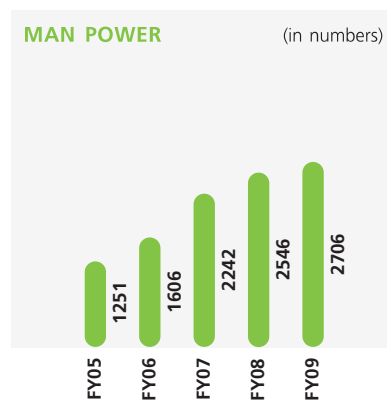
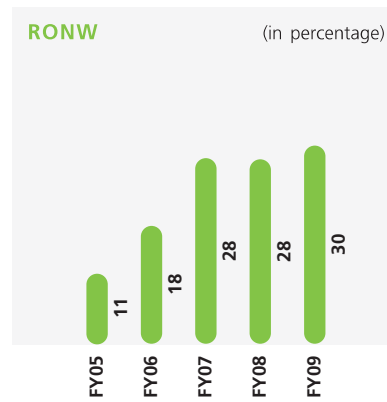
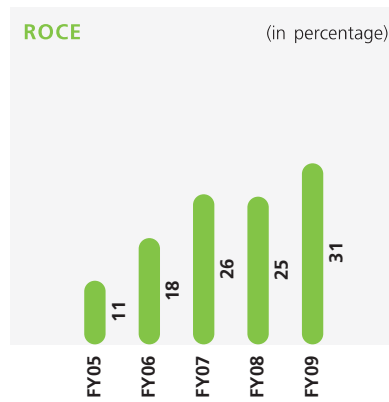
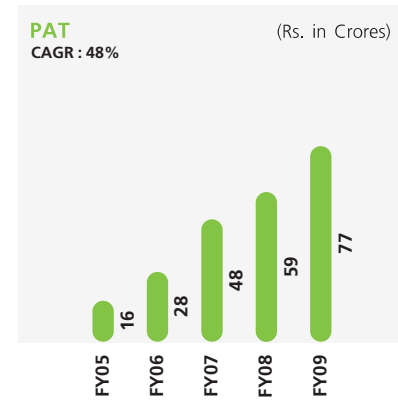
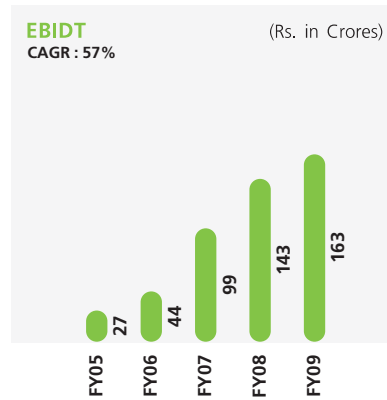
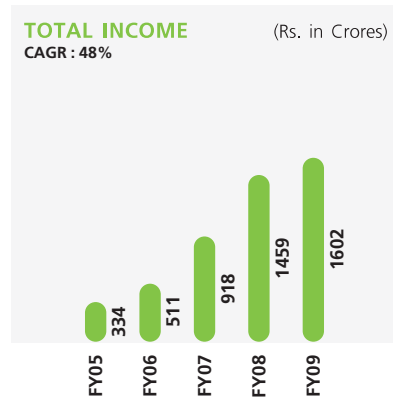
**Sonata Software Ltd.**  
(Consolidated)

	<b>Sonata Software Ltd. (Standalone)</b>	<b>TUI InfoTec GmbH</b>	<b>Offshore Digital Services Inc.</b>	<b>Sonata Software FZ - LLC</b>	<b>Sonata Software GmbH</b>	<b>Sonata Europe Ltd.</b>	<b>Sonata Information Technology Ltd.</b>
<b>Ownership</b>	Holding Company	a JV between TUI AG with 50.1% ownership by Sonata	a 100% subsidiary	a 100% subsidiary	a 100% subsidiary	a 100% subsidiary and holding company for TUI InfoTec GmbH	a 100% subsidiary
<b>Head Office</b>	Bangalore (India)	Hannover (Germany)	Fremont (USA)	Dubai (Middle East)	Frankfurt (Germany)	London (UK)	Bangalore (India)
<b>Services</b>	IT Consulting & Software Services, Remote Infrastructure Management and provides Offshore Development Services worldwide.	Infrastructure Management (Europe) Software Services (Germany, Switzerland, Austria (DACs)).	Sales & Marketing, Account Management, Programme Management for some customers in the US.	Sales & Marketing, Account Management, Programme Management for customers in Middle East.	Programme Management for TUI InfoTec GmbH.	Provisioning of Software Development and Services.	Distribution of packaged software applications, IT Consulting and Software Services for the Indian market.

Sustained  
**Growth**

# Financial Highlights

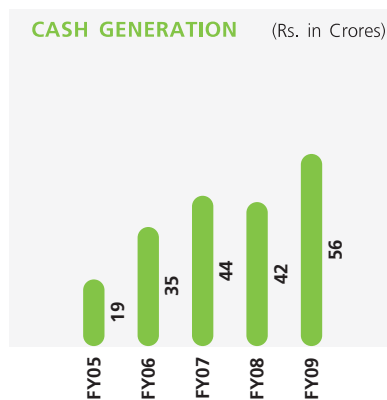
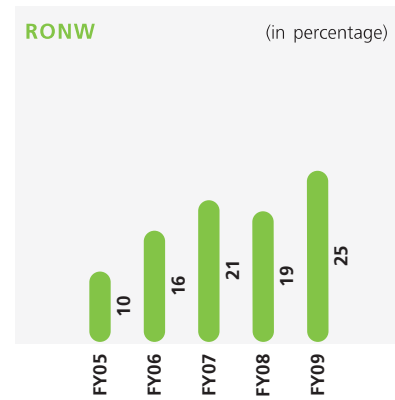
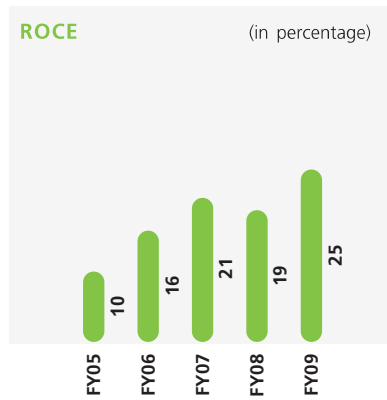
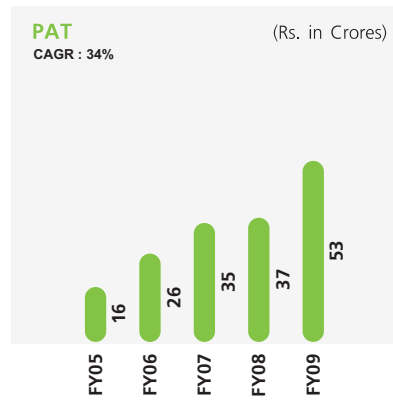
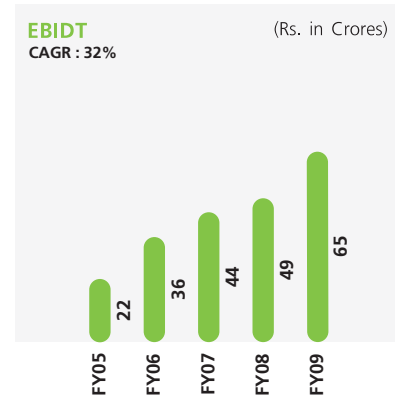
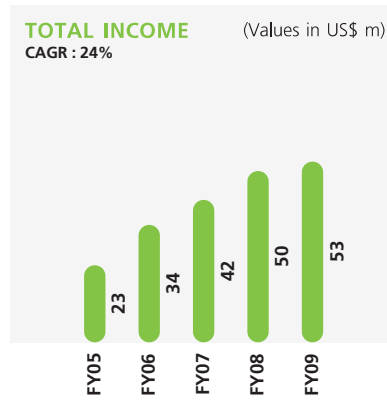
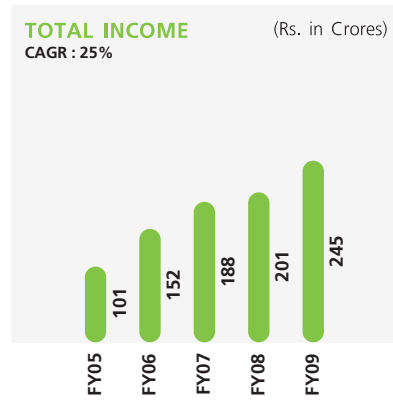
## SONATA SOFTWARE LIMITED : CONSOLIDATED



Note : All figures depicted in the graphs have been rounded off.

# Financial Highlights

## SONATA SOFTWARE LIMITED : STANDALONE



Note : All figures depicted in the graphs have been rounded off.

## Financial Highlights

### TUI InfoTec GmbH: CONSOLIDATED



Note : All figures depicted in the graphs have been rounded off.



## **Sonata Software Limited**

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## Sonata Software Limited

### DIRECTORS' REPORT

#### TO THE MEMBERS OF SONATA SOFTWARE LIMITED

Your Directors have pleasure in presenting the Fourteenth Annual Report of your Company together with the Audited Statement of Accounts for the financial year ended 31st March, 2009.

#### FINANCIAL HIGHLIGHTS

(Rs. in million)

Particulars	Year ended 31.03.2009	Year ended 31.03.2008
1. Total Income	2446.30	2011.03
2. Total Expenditure	1795.75	1519.58
3. Profit before Interest, Depreciation & Tax	650.55	491.45
4. Interest	3.88	1.15
5. Depreciation	81.32	94.53
6. Profit Before Tax	565.35	395.77
7. Provision for Tax	93.00	75.14
8. MAT Credit	(61.24)	(46.26)
9. Profit after Tax	533.59	366.89
10. Appropriations :		
Proposed Dividend	-	63.10
Interim Dividend	157.74	52.58
Provision for Dividend Tax	26.81	19.66
Transfer to General Reserve	60.00	40.00

#### DIVIDEND

As shareholders may recall, at the Board Meeting held on 22nd December, 2008, your Directors had declared a special interim dividend of 100% in addition to the interim dividend of 50% declared after the first half of the financial year under review. At that time, your Directors had expressed their intention not to recommend any further dividend for the financial year under review. The Special Interim Dividend was in commemoration of Sonata's 10 years of listing.

Accordingly, your Directors do not recommended any final dividend for the financial year ended 31st March, 2009. Thus, the total dividend declared and paid for the financial year 2008-09 is 150% (Rs.1.50 per share) as compared to 110% (Rs.1.10 per share) for the previous financial year 2007-08.

#### INVESTMENTS

During the year under review, your Company invested 5,00,000 AED (United Arab Emirates Dirhams) in Sonata Software FZ LLC, wholly owned subsidiary of the Company to acquire 500 shares of face value 1,000 AED each.

#### EXPANSION OF DEVELOPMENT CENTRES

During the year under review, your Company has taken steps to set up a new 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 28,000 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.

#### QUALITY

During the year under review, your Company has witnessed some key changes to the Quality Management System (QMS). In keeping with our focus on customers, satisfaction surveys have been conducted with a higher rigor. Other focus areas during the year under review have been - enabling the practitioners to contribute to process changes, paying focused attention on process set up for identified projects and providing the users of QMS intranet with a more friendly and useful interface. Quantitative project management continued to get emphasis during the year under review.

During the year under review, quality processes were upgraded in line with the industry benchmark standard – SEI CMMI Version 1.2. The intermediate milestone of reaching CMMI Level-3 was achieved successfully. Your Company has strengthened processes and practices in the areas of IT infrastructure services and Information Security as well.

The year under review also saw the formation of Centres of Excellence that would achieve higher competence levels in chosen technology areas and thereby aid the project teams in delivering better and faster.

#### 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.sebiedifair.nic.in](http://www.sebiedifair.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, Sonata Software FZ LLC, Dubai 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 from attaching the audited accounts of overseas subsidiary companies for the financial year ended 31st March, 2009. 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](http://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

As per the industry rankings released by NASSCOM for FY07-08, your Company was ranked among the Top 20 IT Software and Service Exporters in India. For the third consecutive year, your Company was a winner in the Deloitte Technology Fast 50 India 2008 program and in the Deloitte Technology Fast 500 Asia Pacific 2008 program. These programs recognize the fastest growing and most dynamic technology companies in India / Asia Pacific region.

Sonata Software is ranked global #2 in the 2008 TOP TEN ESO: OUTSOURCED SOFTWARE DEVELOPMENT in The Black Book of Outsourcing. The Black Book of Outsourcing is the most comprehensive publication on global outsourcing and is highly endorsed by the industry. This recognition is especially rewarding because the survey is directly based on customer feedback.

Other recognitions/awards received by your Company during the year under review were Microsoft Gold Certification for competency in Information Worker Solutions; Microsoft-approved partner for SharePoint Deployment Planning Services and 2nd runner up position in the IT and ITES (excluding hardware) sector under the large exporters category for D&B – ECGC Indian Exporters' Excellence Awards.

### CORPORATE GOVERNANCE

As required under Clause 49 of the Listing Agreement with Stock Exchanges, a Report on Corporate Governance is provided else where in this Annual Report along with 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 2008-09, 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, 2009 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. As recommended by the Institute of Chartered Accountants of India for early adoption of Accounting Standard 30 dealing with Financial Instruments - Recognition and Measurement, your Company has adopted the same during the year under review.

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 together have contributed Rs. 16.87 Lakhs to the Bihar Relief Fund. The money was handed over to Goonj ([www.goonj.info](http://www.goonj.info)), an NGO based in Delhi (with offices in Mumbai and Chennai, and volunteers in other parts of India) which has recently been awarded the 'Indian NGO of the Year'. Goonj is going to be present in Bihar for at least the next one year to aid in rehabilitation work. Our donations were used to providing woollen clothes and blankets to the flood-affected victims, as well as creating alternate channels of employment.

Further, during the year under review your Company and its employees were part of following activities :

- Rasoolpura Government High School was donated 10 computers, which will enable students to undergo computer training. Sonatians contributed an amount of Rs.1,67,662 to support the education of the children at Rasoolpura Government High School. All the initiatives were done through BHUMI, an NGO based at Hyderabad.
- Donated 37 computers to the charitable institutions for education of the students through the Rotary Bangalore East.
- As a conscious step towards a Greener Earth, this New Year four of our e-Greeting Cards were made from paintings done



by students at Rasoolpura Government High School and the Hope Foundation. This initiative of going green differently is in support of a pollution-free environment by saving paper and to stand by the cause of NGOs.

- Sponsored One Day South India Level Seminar on DAISY Production, held at Bangalore for the print disabled and visually impaired individuals, jointly with Samarthanam – a Bangalore based NGO.

**DIRECTORS**

Mr.S.B.Ghia and Mr.Pradip P Shah, Directors, retire by rotation and being eligible, offer themselves for re-appointment at the ensuing Annual General Meeting (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 AGM and have

expressed their willingness to continue as Statutory Auditors for the financial year 2009-10 and accordingly, a resolution proposing their appointment is being submitted to the AGM.

**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 : Bangalore  
Date : 17<sup>th</sup> April, 2009

**Pradip P Shah**  
Chairman



## Sonata Software Limited

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### 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

Though the Company does not have energy intensive operations, it continues to adopt energy conservation measures. Adequate measures have been taken to conserve energy by using energy-efficient computers and equipments with the latest technologies, which would help in conservation of energy. 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 technologies - Software+Services (S+S) technologies from Microsoft, DaisyXML, Web 2.0 and Enterprise 2.0. During the year, your company has developed several frameworks and IP around Testing, MOSS, OpenSource and J2EE technologies that helped to ensure your Company stay ahead in the technology curve in terms of web development. Your Company continues to be the leader in the OpenXML, DaisyXML and OBA applications.

###### (ii) Vertical Solutions

Your Company developed certain frameworks around the web applications for the Travel, Transportation and Logistics business (TTL). This helped in getting few large prospects/customers during the year under review.

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

Your company is presently marketing services around SonnetOnline, SonnetWorkflow, SonnetConstruct and Web 2.0 complaint websites for TTL and has won clients for these services. These have proven to be a good entry solution in acquiring enterprise clients.

##### c) Future Plan of action

Focus of CRG in the current year is to continue to work on technologies for TTL business, Azure and Online services of Microsoft.

##### 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, Bulgaria, Denmark, Germany, Iceland, Ireland, Japan, Netherlands, Norway, Singapore, South Africa, Spain, Sweden and Switzerland.

Foreign Exchange outgo on account of Travelling, Professional Charges, Subsistence/Living cost, overseas salaries, Import of capital goods, etc., was Rs.770.11 Mn and foreign exchange inflow on account of export of software services (net) was Rs.2435.77 Mn.

Your Company has, during the year under review, made significant strides in its international business development efforts, with a focus on software exports. Your Company has invested in setting up a new Company in Dubai, which opens up a whole new geography for your Company. Your Company has already secured a large customer in this region (a leading middle-eastern airline) and we expect significant growth from the Middle East geography. During the year, your Company also beefed up its sales and marketing strength by setting up dedicated practice groups & dedicated onsite pre-sales teams, to drive new offerings, development & support opportunity pursuit – in focus areas such as ISV, Managed Testing and Microsoft Office Sharepoint 2007. Your Company also participated in marketing events such as StarEAST, HP Software Conference and StarWEST, for new lead generation and enhanced visibility. During the year under review, your Company also strengthened its alliance with Microsoft and became a managed partner in additional geographies like Germany and Middle East.

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

For and on behalf of the Board

Place : Bangalore  
Date : 17<sup>th</sup> April, 2009

**Pradip P Shah**  
Chairman

Information u/s 217(2A) of the Companies Act 1956 - read with companies (Particulars of Employees) Rules 1975 as amended and forming part of the Directors' Report for the year ended 31st March, 2009.

Sl. No.	Name	Age (Years)	Qualification	Designation & Nature of Duties	Remuneration (Rs.)	Experience (Years)	Date of Joining	Previous Employment
1	B Ramaswamy	55	M.Sc (Agri) PGDBM (IIM)	Managing Director & President	13,029,372	32	01.10.86	General Sales Manager Voltas Limited
2	P Srikar Reddy	51	BE (Electrical) PGDBM (IIM)	Executive Vice President & Chief Operating Officer	9,598,304	27	02.04.86	Manager - Systems & projects Betamatics Pvt. Ltd. (1 Year)
3	Anirudha Banerjee	53	Bsc (Engg) - Elec	Vice President Projects	3,560,303	30	14.09.01	Chief Operating Officer eSols Worldwide Ltd.
4	P V S N Raju	44	B. Tech PGDIE	Vice President Projects	3,219,355	21	01.02.88	Nil
5	N Sridhara	51	BE (Electronics)	Associate Vice President Project Office & Infrastructure	2,758,863	27	24.02.97	General Manager HMT Limited
6	C Padma	47	M. Tech (IIT)	Associate Vice President Projects	2,600,181	24	31.08.94	Manager Computer Services Hidustan Aeronautics Ltd.
7	S Ganesh	44	CA & ACS (Inter)	Associate Vice President Human Resources	2,789,848	22	29.04.98	Senior Manager BPL Telecom Business Group
8	V Rajakanth Kamath	46	BE(E&C), MS(CS)	Associate Vice President Projects	2,247,484	21	18.03.98	Senior Systems Limited Copy Cat Limited
9	C V Narayanan	44	M. Tech (Commn Engg) IIT Bombay	Vice President Projects	2,867,839	21	01.06.98	Senior System Analyst Institute of Banking Studies
10	D Gnaneshwar	42	AMIE	Associate Vice President Projects	2,561,384	18	10.08.05	Senior Vice President Visual Soft Technologies
11	M Ashoka	50	M. Tech (IIT Bombay)	Associate Vice President Quality, Training & Technology Architecture	2,604,787	25	07.03.91	Asst. Manager R&D HCL Limited
12	R Sathyanarayana	44	CA	Associate Vice President Finance & Accounts	2,787,371	18	06.02.97	Manager Accounts & Finance BPL Refrigeration Ltd
13	K Srihari	41	B.E. (Mech)	Associate Vice President Sales & Marketing, Europe & Microsoft Alliance	3,391,257	18	03.12.90	Nil
14	Umamaheshwaran Shastry *	42	MBA	Senior Vice President Head-Global Travel Business	2,402,795	20	01.09.08	Senior Vice President NIIT Technologies
15	Dinesh Ramachandran	38	B.Tech (Electronics & Communication), PGDM	Assistant Vice President Marketing	2,497,193	15	07.07.03	Strategic Account Manager Southerland Global Services, USA
16	DVSSR Murthy	52	M.Sc (Physics)	Associate Vice President Projects	2,513,855	30	11.08.06	Regional Head - Customer Services SBU CMC Ltd,

\* 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, 2009.



## Sonata Software Limited

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### MANAGEMENT DISCUSSION AND ANALYSIS REPORT (MDA)

#### a. Industry structure and developments

The year 2008-09 has been a very absorbing one for the Indian IT Services industry. Even in a year of economic slowdown, companies that have demonstrated a balanced strategic outlook and have offered meaningful business benefits to their customers, have fared reasonably well.

According to NASSCOM, export revenues for the Indian IT-BPO industry (excluding domestic market and hardware exports) is expected to record growth of 16-17% in FY09. There has also been a distinct change in the way customers perceive outsourcing today. Customers are increasingly looking at outsourcing as a key tool to meet their challenging business requirements. At the same time, IT budgets are now subject to careful scrutiny to ensure alignment to the overall business strategy. So customers are seeking partners with a long track record, financial stability, management continuity and who have demonstrated long term partnerships. They are demanding better value, enhanced productivity and quicker Returns on Investments with shorter payback period.

#### b. Opportunities and threats

In every challenge lies an opportunity waiting to be embraced. The economic scenario today has thrown open two clear outsourcing opportunities. First, companies who have already been outsourcing earlier, pressured by tighter IT budgets, are increasingly looking at outsourcing even their core business applications. Moreover, several first-time outsourcers are now considering outsourcing as a viable business alternative. Both these present a totally new channel of business to Indian IT companies. In Sonata, we have had a fair mixture of both in the last year. We are optimistic we will be able to further these discussions into meaningful engagements in the months to come.

The largest threat for Indian companies lies in the sustainability (or lack of) of the customers themselves. In an uncertain environment, mergers and consolidations of companies are the order of the day, and this necessitates consolidation of IT vendors as well. Similarly, a sudden restructuring of a customer's business will directly impact the revenue of its corresponding service provider.

#### c. Segment wise performance

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

#### d. Outlook

That Sonata has been able to grow in such a climate is testament to its strong foundation and its relentless focus on the customer. We have expanded on three counts. One, we have strengthened our Travel and ERP expertise. This complements our already broad range of offerings, i.e. IT

Consulting, Product Engineering Services, Application Development, Application Management, Managed Testing, Business Intelligence, and Infrastructure Management. Two, we have now reached the Middle East and opened a subsidiary Company in Dubai. And three, we have ramped up our Delivery infrastructure by opening up our 5th Offshore Development Centre in India (our 4th in Bangalore). The new facility is envisaged to be expanded in phases, initially from 28,000 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. The three existing facilities in the city, with a combined area of 1, 24,000 sq-ft., seating 1200 employees, are already full. In addition to the facilities in Bangalore, Sonata also has a facility in Hyderabad, which can seat 800 people. This is also nearing full capacity. For expansion in Hyderabad, we have already been allotted a seven-acre land in an SEZ, which when fully developed will accommodate an additional 2000 people.

In addition to the above, Sonata continues to invest aggressively in adding to our domain expertise, enhancing our services portfolio and exploring inorganic initiatives.

Together these form the robust foundation on which stand the pillars of Sonata's sustained growth story.

#### e. Risks and concerns

The risks that face the company are the ones that face the industry today and these are monitored periodically. These risks include cut down in IT budgets, volatility in currencies and withdrawal of tax benefits. The risks that are closely monitored are client concentration risk, geographical risk, competition risk and financial risk mainly in the area of foreign currencies.

#### f. Internal control systems and their adequacy

Sonata has deployed adequate Internal Control Systems in place to ensure a smooth functioning of its business. The Control Systems provide a 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 ICS and their adequacy are frequently reviewed and improved, and are documented.

#### g. Material developments in Human Resources

Sonata's biggest assets are its employees. We are continuously working on innovative initiatives to attract, train, retain and motivate our employees. Our endeavors are driven by a strong set of values imbibed in us and policies that we abide by. Our constant goal, and indeed our biggest strength, is a healthy, happy and prosperous work environment for all our employees.

During the year under review, the manpower strength increased from 1878 to 2034 as of 31st March 2009.

**h. Financial highlights****1. Revenues**

Revenue from US was 38.81% and Europe was 60.19% for the year ended 31st March, 2009 as compared to 36.91% from US and 62.27% from Europe 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 decreased by 2.49% over the same period last year.

**3. EBIDT**

The EBIDT was at 26.59% for the year ended 31st March, 2009 as compared to 24.44% for the same period last year.

**4. Profit after Tax**

Profit after Tax was at 21.81% for the year ended 31st March, 2009 as compared to 18.24% for the same period last year.

**5. Interest and Borrowings**

The Company was debt free as on 31st March, 2009 and had a Net Cash balance of Rs 174.65 millions (includes investment in Mutual Funds). During the year the Company has incurred interest cost of Rs 3.88 Millions for its Working Capital requirements.

**6. Capital Employed**

The Return on Average Capital Employed (ROCE) for the year ended 31st March, 2009 was 25.41% as compared to 19.49% for the same period last year.

**7. Net Worth**

The Return on Average Net Worth (RONW) for the year ended 31st March, 2009 was 25.23% as compared to 19.42% for the same period last year.

**8. Fixed Assets**

The Company added to its fixed assets Rs. 73.94 millions. The additions were mainly incurred for the new facilities at Bangalore (SEZ Unit at Global Village) and Land at Hyderabad for SEZ Campus.

**9. Receivables**

Debtors as number of days' sales stood at 64 days for the year ended 31st March, 2009 as compared to 70 days for the same period last year.

**10. Cash Generation**

Cash generated from operations was Rs. 563.32 million for the year ended 31st March, 2009.

**11. Manpower**

The total employee strength as on 31st March 2009 was 2034 as against 1878 as on 31st March, 2008.

**PERFORMANCE SUMMARY****1. Revenue**

Revenue increased by 22.51% at Rs. 2435.77 million for the Year ended 31st March, 2009 as compared to Rs. 1988.20 million for the same period last year.

**2. EBIDT**

EBIDT was Rs. 650.55 million for the year ended 31st March 2009 as compared to Rs. 491.45 for the same period last year.

**3. Profit After Tax (PAT)**

PAT stood at Rs. 533.59 million for the year ended 31st March, 2009 as compared to Rs. 366.89 million for the same period last year.



## Sonata Software Limited

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### 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 2009, 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 Rajji & Co.**  
Chartered Accountants

Bangalore  
17<sup>th</sup> April, 2009

**CA. 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, President & Managing Director 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, 2009.

Bangalore  
17<sup>th</sup> April, 2009

**B Ramaswamy**  
President & Managing Director

## 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 2008-09, 6 meetings of the Board were held. These meetings were held on 17th April, 2008, 25th July, 2008, 14th October, 2008, 6th December, 2008, 22nd December, 2008 and 15th January, 2009.

Details of Directors and other particulars are given below :

Name	Designation	Category	Equity shareholding in the Company
Pradip P Shah	Chairman	Independent Director	Nil
S B Ghia	Director	Promoter Director	14,600
M D Dalal	Executive Vice Chairman	Promoter Director	12,94,600
Viren Raheja	Director	Promoter Director	57,50,000
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@
Pradip P Shah	6	5	Yes	14	10
S B Ghia	6	6	Yes	5	7
M D Dalal	6	6	Yes	1	2
Viren Raheja	6	6	Yes	4	1
B Ramaswamy	6	5	Yes	1	1
P Srikar Reddy	6	5	No	1	1
S N Talwar	6	5	No	14	10
B K Syngal	6	5	Yes	2	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 & Account  
Y.N.Thakkar - Partner, N.M.Rajji & 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	3

**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 2008-09**

(Amount in Rs.)

Name	Salary & Perquisites	Commission	Shares issued under ESOP	Details of service contracts notice period & severance fees
Pradip P Shah	Nil	12,20,898	Nil	Nil
S B Ghia	Nil	12,20,898	Nil	Nil
M D Dalal	Nil	20,14,482	Nil	Agreement dated 29.10.2007 valid upto 31.10.2012; Three(3) months notice period and no severance fees
Viren Raheja	Nil	12,20,898	Nil	Nil
B Ramaswamy	88,08,562	61,04,492	Nil	Agreement dated 21.04.2005 valid upto 31.03.2010; Six(6) months notice period and no severance fees
P Srikar Reddy	74,72,899	30,52,246	Nil	Agreement dated 20.10.2004 valid upto 19.10.2009; Six(6) months notice period and no severance fees
S N Talwar	Nil	12,20,898	Nil	Nil
B K Syngal	Nil	12,20,898	Nil	Nil

The Criteria for making payments to non-executive directors viz., Mr. S B Ghia, Mr.Viren Raheja, Mr.Pradip P Shah, Mr. S N Talwar and Mr.B K Syngal is the special resolution passed by the shareholders at their meeting held on 10th June, 2008, 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
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.
2007-08	10.06.08	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 2005-06 - Nil
- Year 2006-07 - Nil
- Year 2007-08 - Yes, one special resolution for payment of commission to non-whole-time Directors pursuant to Section 309 of the Companies Act was passed.

**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 16 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 2008-09.

**Mandatory/Non-mandatory Requirements**

During the financial year 2008-09, 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 "Shareholder 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 31<sup>st</sup> March, 2009**

The Board of Directors,  
Sonata Software Limited,  
Bangalore.

We 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 31st March, 2009.

On the basis of my examination as well as information and explanations furnished by the Company and the records made available to me, we report that:

1. Equity Shares of the Company are listed on Bombay Stock Exchange Ltd, National Stock Exchange of India Ltd and Bangalore Stock Exchange Ltd.
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 interim and final dividend have been complied with.
10. The amounts borrowed by the Company from Banks/Bodies Corporate is within the borrowing limits of the Company. There are no borrowings which are outstanding as on March 31, 2009.
11. The Company has complied with the provisions of the Companies Act, 1956 with respect modification of charges. There were no instances of creation or satisfaction of charges.
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 : 15<sup>th</sup> April, 2009  
Place: Bangalore

**V Sreedharan**  
Partner



## 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, 2009, 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, 2009;
- 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

**CA.Y N Thakkar**

Partner

Place : Bangalore

Date : 17<sup>th</sup> April, 2009

Membership No: 33329

#### 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) During the year Company has granted unsecured loan to company listed in the register maintained under section 301 of the Companies Act, 1956.

No of Parties	Amount
1	12 crores

- (b) The rate of interest and other terms and conditions of the loans given by the Company are prima facie not prejudicial to the interest of the Company.
- (c) The receipt of the principal amount and interest are also regular.
- (d) There is no amount overdue for the principal and interest.
- (e) During the year the Company has taken unsecured loan from company listed in the register maintained under section 301 of the Companies Act, 1956.
 

No of Parties	Amount
1	11 crores
- (f) The rate of interest and other terms and conditions of the loans taken by the Company are prima facie not prejudicial to the interest of the Company.
- (g) The payment of the principal amount and interest are also regular.
- (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) 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 has not been prescribed by the Central Government under section 209(1)(d) of the Act.
- (ix) (a) 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) The dues of sales tax that have not been deposited on account of dispute, the amount involved and the forum where the dispute is pending is detailed in the statement attached.
- (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) 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) Proper records have been maintained of the transactions and contracts in relation to investments and timely entries have been made therein. 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) 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) The Company has not issued any debentures during the year.
- (xx) The Company has not raised any money by public issues during the year.
- (xxi) 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

**CA. Y N Thakkar**

Partner

Membership No: 33329

Place : Bangalore  
Date : 17<sup>th</sup> April, 2009

**Statement forming part of Audit Report clause (ix)(b)**

Name of the Statute	Nature of Dues and Period	Amount in Rs.	Forum where dispute is pending
KVAT Act ,2003	Sales Tax For the Month of April'05 to October'05, December'05, January'06, March'06, May'06, June'06 August'06, September'06, November'06, December'06 and March'07	3,406,900	Karnataka Appellate Tribunal, Bangalore

## Sonata Software Limited

### BALANCE SHEET AS AT 31<sup>ST</sup> MARCH, 2009

(Rs.)

	SCHEDULE	AS AT 31.03.2009	AS AT 31.03.2008
<b>SOURCES OF FUNDS</b>			
<b>SHAREHOLDERS' FUNDS</b>			
Share Capital	1	105,159,306	105,159,306
Reserves and Surplus	2	2,133,103,694	1,887,167,619
		<b>2,238,263,000</b>	<b>1,992,326,925</b>
<b>TOTAL FUNDS EMPLOYED</b>		<b>2,238,263,000</b>	<b>1,992,326,925</b>
<b>APPLICATION OF FUNDS</b>			
<b>FIXED ASSETS</b>			
Gross Block	3	732,222,034	681,718,513
Less : Depreciation		489,922,502	431,820,862
<b>Net Block</b>		<b>242,299,532</b>	<b>249,897,651</b>
Capital work-in-progress & advances		30,059,564	43,204,992
		<b>272,359,096</b>	<b>293,102,643</b>
<b>INVESTMENTS</b>	4	<b>1,262,628,341</b>	<b>1,018,195,501</b>
<b>DEFERRED TAX ASSET</b>		<b>76,818,887</b>	<b>104,306,830</b>
<b>CURRENT ASSETS, LOANS &amp; ADVANCES</b>			
Inventories	5	-	15,680,980
Sundry Debtors	6	428,502,168	380,652,678
Cash & Bank Balances	7	139,627,852	138,355,466
Other Current Assets	8	37,161,410	40,136,211
Loans and Advances	9	273,330,888	196,202,268
		<b>878,622,318</b>	<b>771,027,603</b>
<b>Less :CURRENT LIABILITIES &amp; PROVISIONS</b>			
Current Liabilities	10	240,310,123	111,471,680
Provisions	11	11,855,519	82,833,972
		<b>252,165,642</b>	<b>194,305,652</b>
<b>NET CURRENT ASSETS</b>		<b>626,456,676</b>	<b>576,721,951</b>
<b>TOTAL FUNDS APPLIED</b>		<b>2,238,263,000</b>	<b>1,992,326,925</b>
<b>NOTES FORMING PART OF ACCOUNTS</b>	16		

As per our Report annexed

For and on behalf of the Board

For N M RAIJI & Co.

Chartered Accountants

**CA.Y N THAKKAR**  
Partner

**PRADIP P SHAH**  
Chairman

**S B GHIA**  
Director

**M D DALAL**  
Executive Vice Chairman

**B RAMASWAMY**  
Managing Director  
& President

**VIREN RAHEJA**  
Director

**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

Bangalore 17<sup>th</sup> April, 2009

## Sonata Software Limited

### PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2009

(Rs.)

	SCHEDULE	YEAR ENDED 31.03.2009	YEAR ENDED 31.03.2008
<b>INCOME</b>			
Services (Net)		2,435,768,787	1,988,196,736
Other Income	12	10,530,957	22,831,166
<b>Total Income</b>		<b>2,446,299,744</b>	<b>2,011,027,902</b>
<b>EXPENDITURE</b>			
Operating and Other Expenses	13	1,768,528,728	1,503,897,289
Interest	14	3,881,623	1,149,861
Depreciation		81,316,414	94,525,720
Provision for Doubtful Debts		11,537,756	-
		<b>1,865,264,521</b>	<b>1,599,572,870</b>
Add/(Less) : (Increase)/ Decrease in Stocks	15	15,680,980	15,680,981
		<b>1,880,945,501</b>	<b>1,615,253,851</b>
<b>Profit Before Tax</b>		<b>565,354,243</b>	<b>395,774,051</b>
Provision for Tax (refer schedule 16, note 10)		93,002,493	75,138,720
MAT credit		(61,237,382)	(46,257,892)
<b>Profit After Tax</b>		<b>533,589,132</b>	<b>366,893,223</b>
Add : Balance of Profit brought forward from previous year		1,018,088,962	826,529,982
<b>Disposable Surplus</b>		<b>1,551,678,094</b>	<b>1,193,423,205</b>
Proposed Dividend		-	63,095,584
Interim Dividend		157,738,959	52,579,653
Provision for Dividend Tax		26,807,736	19,659,006
Transfer to General Reserve		60,000,000	40,000,000
Surplus carried to Balance Sheet		1,307,131,399	1,018,088,962
		<b>1,551,678,094</b>	<b>1,193,423,205</b>
<b>NOTES FORMING PART OF ACCOUNTS</b>	16		
EPS - Basic (on Re.1/- per share)		5.07	3.49
EPS - Diluted (on Re.1/- per share)		5.07	3.49

As per our Report annexed

For and on behalf of the Board

For N M RAIJI & Co.

Chartered Accountants

**CA.Y N THAKKAR**  
Partner

**PRADIP P SHAH**  
Chairman

**S B GHIA**  
Director

**M D DALAL**  
Executive Vice Chairman

**B RAMASWAMY**  
Managing Director  
& President

**VIREN RAHEJA**  
Director

**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

Bangalore 17<sup>th</sup> April, 2009

## Sonata Software Limited

### SCHEDULES ATTACHED TO AND FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2009

(Rs.)

	AS AT 31.03.2009	AS AT 31.03.2008
<b>SCHEDULE 1 : SHARE CAPITAL</b>		
<b>Authorised :</b>		
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>
<b>Issued :</b>		
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>
<b>Subscribed and Paid-Up :</b>		
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 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.		
<b>SCHEDULE 2 : RESERVES AND SURPLUS</b>		
<b>Securities Premium Account</b>	<b>450,924,411</b>	<b>450,924,411</b>
<b>General Reserve</b>		
Balance brought forward	418,154,246	402,700,000
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	60,000,000	40,000,000
	<u>478,154,246</u>	<u>418,154,246</u>
<b>Profit and Loss Account</b>	<b>1,307,131,399</b>	<b>1,018,088,962</b>
Hedging Reserve (Refer Note 13 - Schedule 16)	<u>(103,106,362)</u>	<u>-</u>
	<u><b>2,133,103,694</b></u>	<u><b>1,887,167,619</b></u>

### SCHEDULE 3: FIXED ASSETS

Assets	Gross Block				Depreciation				Net Block
	Cost as at 01.04.2008	Additions	Deductions/ Adjustments	Cost as at 31.03.2009	As at 01.04.2008	For the Year	Deductions/ Adjustments	As at 31.03.2009	as at 31.03.2009
<b>Leasehold Land</b>	-	<b>35,200,000</b>	-	<b>35,200,000</b>	-	<b>179,592</b>	-	<b>179,592</b>	<b>35,020,408</b>
	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)
<b>Buildings</b>	<b>15,493,000</b>	-	-	<b>15,493,000</b>	<b>1,957,094</b>	<b>252,537</b>	-	<b>2,209,631</b>	<b>13,283,369</b>
	(15,493,000)	(-)	(-)	(15,493,000)	(1,704,557)	(252,537)	(-)	(1,957,094)	(13,535,906)
<b>Leasehold Improvements</b>	<b>96,105,533</b>	<b>1,920,647</b>	-	<b>98,026,180</b>	<b>32,046,907</b>	<b>16,207,156</b>	-	<b>48,254,063</b>	<b>49,772,117</b>
	(62,110,602)	(33,994,931)	(-)	(96,105,533)	(18,767,217)	(13,279,690)	(-)	(32,046,907)	(64,058,626)
<b>Plant &amp; Machinery</b>	<b>372,454,333</b>	<b>32,306,050</b>	<b>22,860,307</b>	<b>381,900,076</b>	<b>284,740,461</b>	<b>49,043,707</b>	<b>22,730,264</b>	<b>311,053,904</b>	<b>70,846,172</b>
	(343,122,337)	(33,074,111)	(3,742,115)	(372,454,333)	(224,961,797)	(63,506,737)	(3,728,073)	(284,740,461)	(87,713,872)
<b>Furniture &amp; Fixtures</b>	<b>108,010,358</b>	<b>406,193</b>	<b>182,213</b>	<b>108,234,338</b>	<b>75,103,848</b>	<b>6,538,494</b>	<b>144,101</b>	<b>81,498,241</b>	<b>26,736,097</b>
	(101,132,616)	(6,877,742)	(-)	(108,010,358)	(66,910,339)	(8,193,508)	(-1)	(75,103,848)	(32,906,510)
<b>Motor Car &amp; Vehicles</b>	<b>9,461,518</b>	<b>1,686,810</b>	-	<b>11,148,328</b>	<b>4,102,492</b>	<b>1,556,685</b>	-	<b>5,659,177</b>	<b>5,489,151</b>
	(9,461,518)	(-)	(-)	(9,461,518)	(2,230,339)	(1,872,153)	(-)	(4,102,492)	(5,359,026)
<b>Air Conditioners &amp; Other Equipments</b>	<b>80,193,771</b>	<b>2,419,590</b>	<b>393,249</b>	<b>82,220,112</b>	<b>33,870,060</b>	<b>7,538,243</b>	<b>340,409</b>	<b>41,067,894</b>	<b>41,152,218</b>
	(73,952,587)	(6,337,324)	(96,140)	(80,193,771)	(26,502,903)	(7,421,095)	(53,938)	(33,870,060)	(46,323,711)
<b>TOTAL</b>	<b>681,718,513</b>	<b>73,939,290</b>	<b>23,435,769</b>	<b>732,222,034</b>	<b>431,820,862</b>	<b>81,316,414</b>	<b>23,214,774</b>	<b>489,922,502</b>	<b>242,299,532</b>
	(605,272,660)	(80,284,108)	(3,838,255)	(681,718,513)	(341,077,152)	(94,525,720)	(3,782,010)	(431,820,862)	(249,897,651)
<b>Capital work in progress &amp; advances</b>									<b>30,059,564</b>
									(43,204,992)
<b>GRAND TOTAL</b>									<b>272,359,096</b>
									(293,102,643)

Notes:

- Figures in brackets pertain to previous year ended 31st March, 2008.
- Buildings include cost of shares Rs.7,000(Previous year Rs.7,000).
- Plant and Machinery includes Computer and Software.

## Sonata Software Limited

Schedules (Contd.)

	AS AT 31.03.2009	AS AT 31.03.2008
(Rs.)		
<b>SCHEDULE 4 : INVESTMENTS</b>		
<b>LONG TERM (AT COST) TRADE, UNQUOTED IN SUBSIDIARY COMPANIES</b>		
3,375,394 Equity shares of Rs.10/- each in Sonata Information Technology Limited (fully paid) <i>[Previous year 3,375,394 Equity Shares of Rs. 10/- each - fully paid]</i>	33,753,940	33,753,940
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
120,49,100 2% non-cumulative convertible redeemable preference shares of 1 Pound each in Sonata Europe Ltd, UK-fully paid <i>[Previous year: 94,21,600 Shares of 1 fully paid]</i>	995,034,086	777,234,086
Sonata Software FZ LLC 500 Equity shares of 1000 AED each fully paid <i>[Previous year : Nil]</i>	6,614,250	-
<b>SHORT TERM UNITS (QUOTED)</b>		
Birla Sun Life - Liquid Plus 2,000,498.614 units at Rs. 10.0068 per unit <i>(Market Value Rs. 10.0068 per unit aggregating Rs. 200,18,590)</i> <i>(Previous year - Nil)</i>	20,018,590	-
Standard Chartered Mutual Fund 1,489,528.614 units at Rs. 10.0703 per unit <i>(Market Value Rs. 10.0703 per unit aggregating Rs. 15,000,000)</i> <i>(Previous year 1,499,175.4540 units at Rs 10.0055 per unit)</i>	15,000,000	15,000,000
	<b><u>1,262,628,341</u></b>	<b><u>1,018,195,501</u></b>
<b>SCHEDULE 5 : INVENTORIES</b>		
Finished Products	-	15,680,980
<b>SCHEDULE 6 : SUNDRY DEBTORS</b>		
<b>Unsecured</b>		
Debts outstanding for a period exceeding six months		
Considered Good	25,829,248	6,443,091
Considered Doubtful	20,983,794	9,122,860
	46,813,042	15,565,951
Other debts : Considered Good	402,672,920	374,209,587
	<b><u>449,485,962</u></b>	<b><u>389,775,538</u></b>
Less : Provision for Doubtful Debts	20,983,794	9,122,860
	<b><u>428,502,168</u></b>	<b><u>380,652,678</u></b>

	(Rs.)	
	AS AT 31.03.2009	AS AT 31.03.2008
<b>SCHEDULE 7 : CASH AND BANK BALANCES</b>		
Cash and Cheques on hand	412,121	388,083
Balances with Scheduled Banks		
In Current Accounts	79,224,417	68,067,656
In Deposit Accounts	28,274,250	10,324,250
In Unclaimed Dividend Account	6,545,934	4,908,420
Balances with other banks in current account		
Bank of America, New York, USA	7,509,835	15,892,153
<i>(Maximum balance held during the year Rs. 45,192,513 Previous year Rs. 57,986,110)</i>		
PNC Bank N A, New Jersey, USA	1,138,717	271,541
<i>(Maximum balance held during the year Rs. 17,453,996 Previous year Rs. 17,017,905)</i>		
Hong Kong and Shanghai Banking Corporation, Singapore	520,942	150,975
<i>(Maximum balance held during the year Rs. 666,353 Previous year Rs. 660,056)</i>		
Hong Kong and Shanghai Banking Corporation, London, UK	14,873,792	28,720,422
<i>(Maximum balance held during the year Rs. 110,745,120 Previous year Rs. 155,798,368)</i>		
Hong Kong and Shanghai Banking Corporation, London, UK-Imprest A/c	1,127,844	9,631,966
<i>(Maximum balance held during the year Rs. 61,211,429 Previous year Rs. 68,755,333)</i>		
	<b>139,627,852</b>	<b>138,355,466</b>
<b>SCHEDULE 8 : OTHER CURRENT ASSETS</b>		
Income Accrued but not due	<b>37,161,410</b>	<b>40,136,211</b>
<b>SCHEDULE 9 : LOANS AND ADVANCES</b>		
<b>Unsecured</b>		
(Considered good, unless otherwise stated)		
Loans / Advances to Employees	71,090	809,028
Advances recoverable in cash or in kind or for value to be received :		
From Subsidiary Company	5,937,240	9,404,665
Others	107,232,921	89,514,512
	113,170,161	98,919,177
Advance payment of tax (net of provisions)	160,089,637	96,474,063
	<b>273,330,888</b>	<b>196,202,268</b>
Advances Include due from Directors & officer : Nil		
Previous year : 1,200		
Maximum due during the year : 93,530		
Previous year : 34,044		
<b>SCHEDULE 10 : CURRENT LIABILITIES</b>		
<b>Sundry Creditors</b>		
Micro and Small Enterprises	-	-
Others	33,381,705	28,878,427
	<b>33,381,705</b>	<b>28,878,427</b>
Other Liabilities	200,382,484	77,684,833
Investor Education and Protection Fund (Not Due)	6,545,934	4,908,420
	<b>240,310,123</b>	<b>111,471,680</b>
<b>SCHEDULE 11 : PROVISIONS</b>		
Compensated Absences	11,855,519	9,015,294
Dividend	-	63,095,584
Dividend Tax	-	10,723,094
	<b>11,855,519</b>	<b>82,833,972</b>

	(Rs.)	
	YEAR ENDED 31.03.2009	YEAR ENDED 31.03.2008
<b>SCHEDULE 12 : OTHER INCOME</b>		
Interest received - Gross	1,173,090	1,913,737
<i>(Tax Deducted at Source Rs.102,067 Previous year Rs. 147,932)</i>		
Foreign Exchange Variation (Net)	-	2,715,298
Excess Provisions no longer required (Net)	-	1,619,674
Service tax Input written back	4,980,926	-
Profit on Sale of Investments	-	39,165
Profit on Sales of Fixed Assets (Net)	-	37,197
Dividend Received	610,892	2,914,685
Miscellaneous Income	3,766,049	13,591,410
	<b>10,530,957</b>	<b>22,831,166</b>
<b>SCHEDULE 13 : OPERATING AND OTHER EXPENSES</b>		
Salaries, Wages, Bonus and Allowances (Including Directors' remuneration)	1,000,543,301	849,749,464
Contribution to Provident Fund and other Funds	76,035,861	51,479,172
Staff Welfare Expenses	9,830,296	8,463,575
	<b>1,086,409,458</b>	<b>909,692,211</b>
Power and Fuel	34,634,166	35,190,226
Rent	65,020,253	55,590,827
Rates & Taxes	1,895,278	5,824,525
Insurance	26,231,934	28,460,134
Repairs to :		
Plant and Machinery	4,264,684	3,013,838
Others	29,703,554	22,965,297
	<b>33,968,238</b>	<b>25,979,135</b>
Travelling and Conveyance Expenses	130,731,897	150,516,396
Subsistence/Living Cost	250,992,312	284,806,398
Legal, Professional and Technical Fees	98,514,471	86,698,452
Communication Cost	41,703,082	31,678,608
Auditor's Remuneration :		
Audit Fees	500,000	500,000
Certification	313,000	302,000
Out of pocket expenses	-	41,283
	<b>813,000</b>	<b>843,283</b>
Miscellaneous Expenses	38,481,736	38,473,432
Foreign Exchange Variation (Net)	120,144,918	-
Loss on Sales of Fixed Assets (Net)	62,184	-
	<b>1,929,602,927</b>	<b>1,653,753,627</b>
Less: Service charges recovered from subsidiary	161,074,199	149,856,338
	<b>1,768,528,728</b>	<b>1,503,897,289</b>
<b>SCHEDULE 14 : INTEREST</b>		
Interest paid to Banks	3,312,894	1,149,861
Interest - others	568,729	-
	<b>3,881,623</b>	<b>1,149,861</b>
<b>SCHEDULE 15 : (INCREASE) / DECREASE IN STOCKS</b>		
<b>Opening Stock</b>		
Finished Products	15,680,980	31,361,961
	<b>15,680,980</b>	<b>31,361,961</b>
<b>Closing Stock</b>		
Finished Products	-	15,680,980
	<b>-</b>	<b>15,680,980</b>
(Increase) / Decrease in Stocks	<b>15,680,980</b>	<b>15,680,981</b>

**SCHEDULE 16: 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 and Leasehold Land 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.

Investments that are readily realizable and intended to be held for not more than a year are classified as short term investments. Short term Investments are stated at cost or fair market value whichever is lower. All other investments are classified as long-term investments.

**c) INVENTORIES**

Software products developed/under development are stated at cost. Software development cost incurred on products ready for marketing are amortized 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 recognized 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 realization 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) DERIVATIVE INSTRUMENTS AND HEDGE ACCOUNTING**

The Company has adopted Accounting Standard 30 (AS 30) "Financial Instruments: Recognition and Measurement" for the year. Based on the Recognition and Measurement principles set out in the AS 30, changes in the fair values of derivative financial instruments designated as effective cash

flow hedges are recognized as "Hedging Reserve" directly in the Balance Sheet under Reserves & Surplus and later reclassified into Profit and Loss account upon the occurrence of the hedged transaction. Changes in the fair value of ineffective cash flow hedges are recognized in the Profit & Loss account as they arise.

**g) 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 trust. Company's Contribution towards Superannuation and ESIC is based on a percentage of salary which is made to an approved fund.

**(i) 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.

	31.3.2009	31.3.2008
2. Capital Commitments		(Rs.)
Estimated amount of contracts remaining to be executed and not provided (Net of advances)	33,665,140	64,686,622
3. Contingent Liabilities not provided for		
(i) Disputed Income Tax demands (Inclusive of Interest Charged)	26,837,461	26,837,461
This amount excludes:		
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 and Rs. 797,662,187 (Rs. 797,662,187) on account of consequential disallowance of payments for purchase of software based on legal opinion obtained from a Senior Counsel.		
(ii) Disputed KVAT from Commercial tax department	68,13,800	-
(iii) Claims against the Company not acknowledged as debts	21,677,210	21,677,210

	(Rs.) 31.03.2009	31.03.2008
<b>4. Remuneration &amp; perquisites to Directors</b>		
Salaries	14,132,250	12,379,500
Contribution to Provident fund & Superannuation fund	1,927,800	1,816,020
Actual reimbursement of medical expenses	145,000	95,484
Other perquisites as calculated under Income Tax Act, 1961	76,411	71,057
Commission	17,275,712	11,944,892
<b>Total</b>	<b>33,557,173</b>	<b>26,306,953</b>

**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	565,354,243	395,774,051
Add:		
1. Directors' Remuneration	33,557,173	26,306,953
2. Provision for Doubtful debts	11,537,756	-
3. Depreciation as per books of account	81,316,414	94,525,720
<b>TOTAL (A)</b>	<b>691,765,586</b>	<b>516,606,724</b>
Less:		
Depreciation as envisaged under 350 of the Companies Act*	81,316,414	94,525,720
<b>TOTAL (B)</b>	<b>81,316,414</b>	<b>94,525,720</b>
<b>Net Profit as per Section 309(5)(A-B)</b>	<b>610,449,172</b>	<b>422,081,004</b>
10% of eligible profit	61,044,917	42,208,100
Commission on Net Profit to:		
Managing Director@ 1.00%	6,104,492	4,220,810
Whole time Director@ 0.33%	2,014,482	1,392,867
Whole time Director@ 0.50%	3,052,246	2,110,405
Non Whole time Directors @1.00%	6,104,492	4,220,810
	<b>17,275,712</b>	<b>11,944,892</b>

\*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.

<b>6. Value of imports calculated on CIF basis</b>		
Capital Goods	17,777,785	18,085,676
<b>7. Expenditure incurred in foreign currency on account of</b>		
Travelling	78,300,353	88,995,745
Subsistence / Living cost	250,992,312	284,806,398
Overseas Salaries	69,506,321	51,758,698
Professional charges	41,538,704	42,206,039
Others	311,991,285	58,820,612
	<b>752,328,975</b>	<b>526,587,492</b>

	(Rs.) 31.03.2009	31.03.2008
<b>8. Earnings in foreign exchange</b>		
Software services rendered (Net)	2,435,768,787	1,988,196,736
Other Income	3,430,285	13,599,641
<b>9. Income from Services includes gain on account of exchange fluctuation of Rs. 27,714,181 for the current year ended 31st March, 2009. (Loss of Rs. 27,318,394 for the previous year ended 31st March, 2008)</b>		
<b>10. Provision for taxation for the year ended 31st March, 2009 consists of the following:</b>		

<b>Income Tax</b>	
Domestic	61,237,382 (53,889,196)
Foreign	30,432 (22,017)
<b>Deferred Tax:</b>	
Domestic	23,492,679 (25,180,666)
Foreign	- (-13,211,697)
<b>Provision for wealth tax</b>	43,000 (36,000)
<b>Fringe Benefit Tax</b>	8,199,000 (9,222,538)
<b>Total</b>	<b>93,002,493</b> (75,138,720)

**11. Deferred tax Asset (net) for the year ended 31st March, 2009 amounts to Rs. -27,487,944 (Rs. 14,334,265). DTA includes foreign exchange Loss for the year ended 31st March, 2009 Rs. -3,995,265 (Loss of Rs. 2,365,297).**

Significant Components of the Company's Deferred Tax Asset are as follows:

	DTA	DTL	Net DTA/DTL
Carry Forward Loss	83,637,789 (108,655,288)	- (-)	83,637,789 (108,655,288)
Others	(-) (-)	6,818,902 (4,348,458)	-6,818,902 (-4,348,458)
<b>Total</b>	<b>83,637,789</b> (108,655,288)	<b>6,818,902</b> (4,348,458)	<b>76,818,887</b> (104,306,830)

**12. The working capital facility of the company are secured by hypothecation of inventories and book debts both present and future and second charge on the fixed assets of the company.**

**13. NOTE ON AS 30 ADOPTION:**

Accounting Standard 30, (AS 30) Financial Instruments: Recognition and Measurement was issued by the Institute of Chartered Accountants of India (ICAI) in December 2007. AS 30 becomes recommendatory in respect of accounting periods commencing on or after April 1 2009 and mandatory in respect of accounting periods commencing on or after April 1 2011. ICAI has announced that the earlier adoption of AS 30 is encouraged. For the accounting year 2008-09, the Company has early adopted Accounting Standard 30 (AS 30) "Financial Instruments: Recognition and Measurement".

For the year 2008-09 the Company applied the recognition and measurement principles as set out in AS 30 in accounting derivatives. Changes in fair values of derivative financial instruments designated as effective cash flow hedges were recognized directly into Hedging Reserve in the Balance Sheet under Reserves and Surplus and reclassified into Profit and Loss account upon the occurrence of the hedged transaction.

As at 31st March, 2009, the Company recognized Rs. 1031.06 lacs into "Hedging Reserve" due to changes in fair value of the effective cash flow hedges by reducing it from "Reserves & Surplus".

**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	8,808,562 (8,337,278)	6,104,492 (4,220,810)	14,913,054 (12,558,088)
P Srikar Reddy	7,472,899 (6,024,783)	3,052,246 (2,110,405)	10,525,145 (8,135,188)
M D Dalal		2,014,482 (1,392,867)	2,014,482 (1,392,867)
S B Ghia		1,220,898 (844,162)	1,220,898 (844,162)
Viren Raheja		1,220,898 (-)	1,220,898 (-)
Pradip P Shah		1,220,898 (844,162)	1,220,898 (844,162)
S N Talwar		1,220,898 (844,162)	1,220,898 (844,162)
Rajan B Raheja		(-) (844,162)	(-) (844,162)
B K Syngal		1,220,898 (844,162)	1,220,898 (844,162)

\* 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 given below:

(Rs.)

Particulars	Opening Balance as at 01.04.08	Transaction during the year	Amount received/ paid	Balance as on 31.03.09
Assets Purchased	- (-)	9,174,330 (10,230,476)	9,174,330 (10,230,476)	- (-)
Deputation Expenses	- (-)	109,584,867 (100,295,870)	107,905,311 (100,295,870)	1,679,556 (-)
Service charges	6,841,231 (17,317,236)	161,074,199 (149,856,338)	167,915,430 (160,332,343)	- (6,841,231)
Inter Corporate Loan taken	- (-)	110,000,000 (-)	110,000,000 (-)	- (-)
Interest on Inter Corporate Loan taken	- (-)	554,063 (-)	554,063 (-)	- (-)
Inter Corporate Deposit given	- (-)	120,000,000 (-)	120,000,000 (-)	- (-)
Interest on Inter Corporate Deposit given	- (-)	357,945 (-)	357,945 (-)	- (-)
Others	2,563,434 (-)	3,400,980 (2,563,434)	1,706,730 (-)	4,257,684 (2,563,434)
<b>Total</b>	<b>9,404,665</b> (17,317,236)	<b>514,146,384</b> (262,946,118)	<b>517,613,809</b> (270,858,689)	<b>5,937,240</b> (9,404,665)

**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 and/or computer programs. Sonata has a 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, 2009 are as follows.

(Rs.)

Particulars	Opening balance as at 01.04.08	Transaction during the year	Amount received/ paid during the year	Closing balance as on 31.03.09
Receivable	127,597,631 (113,595,386)	400,679,823 (314,492,876)	399,953,464 (300,490,631)	128,323,990 (127,597,631)
Living/Subsistence allowance payable	3,962,322 (2,501,346)	51,159,038 (54,626,179)	49,826,149 (53,165,203)	5,295,211 (3,962,322)
Travelling Expenses	2,433,851 (618,201)	14,850,759 (14,679,487)	16,327,769 (12,863,837)	956,841 (2,433,851)
Assets Purchased	- (-)	- (369,317)	- (369,317)	- (-)
Other Expenses	5,763,076 (2,977,918)	56,898,598 (51,354,145)	56,908,605 (48,568,987)	5,753,069 (5,763,076)

**Sonata Software GmbH**, a company incorporated in Germany, which is engaged in development of computer programming services. Sonata holds 100% equity in Sonata GmbH. Transactions with the Company included in the financial statements as on 31st March, 2009 are as follows:

(Rs.)

Particulars	Opening balance as at 01.04.08	Transaction during the year	Amount received/paid during the year	Closing balance as at 31.03.09
Receivable	- (-)	36,873,935 (-)	36,873,935 (-)	- (-)
Reimbursement of Expenses	2,048,589 (1,068,236)	5,070,254 (2,661,197)	5,868,566 (1,680,844)	1,250,277 (2,048,589)

**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, 2009 are as follows:

(Rs.)

Particulars	Opening balance as at 01.04.08	Transaction during the year	Amount received/paid during the year	Closing balance as at 31.03.09
Receivable	1,356,893 (-)	7,020,748 (14,258,369)	7,898,877 (12,901,476)	478,764 (1,356,893)
Guarantee	-	1,056,179	1,056,179	-
Commission	(-)	(12,773,175)	(12,773,175)	(-)
Reimbursement of Expenses	- (-)	4,080,691 (8,714,863)	3,417,307 (8,714,863)	663,384 (-)

**TUI InfoTec GmbH**, a company incorporated in Germany which is engaged in software development and infrastructure management. Sonata holds 50.1% equity in TUI InfoTech. Transactions with the Company included in the financial statements as on 31st March, 2009 are as follows:

(Rs.)

Particulars	Opening balance as at 01.04.08	Transaction during the year	Amount received/paid during the year	Closing balance as at 31.03.09
Receivable	21,310,198 (129,209)	362,152,215 (221,500,706)	369,036,849 (200,319,717)	14,425,564 (21,310,198)
Others	716,310 (-)	2,217,231 (33,37,637)	2,213,578 (2,621,327)	719,963 (716,310)

**Sonata Software FZ LLC**, a company incorporated under the Registrar of Companies, The Dubai Technology and Media Free Zone Authority, Dubai, which is engaged in software development services. Sonata holds 100% equity in Sonata Software FZ LLC. Transactions with the Company included in the financial statements as 31st March, 2009 as follows:

(Rs.)

Particulars	Opening balance as at 01.04.08	Transaction during the year	Amount received/paid during the year	Closing balance as at 31.03.09
Receivable		6,594,350	54,179	6,540,171
Reimbursement of Expenses		4,395,347	-179,568	4,574,915

Comparatives are not given since the company is incorporated in the current year.:

**15. Employee Benefits :**

**Gratuity**

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

(Rs.)

	31.03.2009	31.03.2008
<b>I Change in Obligation during the year ended March 31, 2009</b>		
1 Present value of Defined Benefit Obligation at beginning of the year	44,764,954	36,508,692
2 Current Service Cost	9,509,695	7,292,766
3 Interest Cost	4,251,683	3,279,001
4 Actuarial (Gains)/Losses	8,686,340	3,312,389
5 Benefits Paid	(2,257,232)	(5,627,894)
6 Present value of Defined Benefit Obligation at the end of the year	64,955,440	44,764,954
<b>II Change in Assets during the year ended March 31, 2009</b>		
1 Plan assets at the beginning of the year	44,764,954	20,234,826
2 Expected return on plan assets	5,476,349	3,401,854
3 Contributions by Employer	24,818,020	25,102,300
4 Actual benefits paid	(2,257,232)	(5,627,894)
5 Actuarial Gains/(Losses)	(6,294,014)	1,653,868
6 Plan Assets at the end of the year	66,508,077	44,764,954
<b>III Net Asset/(Liability) recognised in the Balance Sheet as at March 31, 2009</b>		
1 Present Value of Defined Benefit Obligation as at March 31, 2009	64,955,440	44,764,954
2 Fair value of plan assets as at March 31, 2009	66,508,077	44,764,954
3 Fund status Surplus/(Deficit)	1,552,637	-
4 Net Assets/(Liability) as at March 31, 2009	1,552,637	-
<b>IV Expenses recognised in the statement of Profit &amp; Loss for the year ended March 31, 2009</b>		
1 Current Service Cost	9,509,695	7,292,766
2 Interest Cost	4,251,683	3,279,001
3 Expected return on plan assets	(5,476,349)	(3,401,854)
4 Net Actuarial (Gains)/Losses	14,980,354	1,658,521
5 Total Expense	23,265,383	8,828,434
<b>V The major categories of plan assets as a percentage of total plan</b>		
Insurer Managed Funds	100%	100%
<b>VI Actuarial Assumptions:</b>		
1 Discount Rate	7.50%	8%
2 Expected rate of return on Plan assets	8%	8%
3 mortality table	LIC (1994-96) Ultimate	LIC (1994-96) Ultimate
4 Retirement Age	58 or 60 years as applicable	58 or 60 years as applicable

- Amount recognized as an expense and included in schedule 13 under "contribution to provident fund and other funds".
- (b) Provident Fund : 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.
- 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 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) hence information not furnished.
- (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 | 64,955,440<br>(44,764,954) |
| Fair Value of Plan Assets                   | 66,508,077<br>(44,764,954) |
| Surplus / (deficit)                         | 1,552,637<br>(-)           |
- (f) Estimated Contribution for the next year on account of gratuity Rs 12,132,766.
- (g) Contribution/Provisions to superannuation and other funds stated under defined contribution plan is Rs. 15,376,579 (Rs 13,090,633).
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 64,402,105 (Rs. 55,506,026).
- As of 31st March 2009 future minimum lease payments under non-cancellable operating leases for the period upto which the lease is non- Cancellable are provided below: (Rs.)
- |           |           |
|-----------|-----------|
| 2009-2010 | 7,257,980 |
| 2010-2011 | 5,172,103 |
18. Previous year's figures are shown in brackets and have been regrouped, wherever necessary to conform to current year's classification. Previous year figures are not comparable to the extent of impact on account of adoption of Accounting Standard 30 with the current year figures.

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

Chartered Accountants

**CA. Y N THAKKAR**

Partner

**PRADIP P SHAH**

Chairman

**S B GHIA**

Director

**M D DALAL**

Executive Vice Chairman

**B RAMASWAMY**Managing Director  
& President**VIREN RAHEJA**

Director

**S N TALWAR**

Director

**BRIJENDRA K. SYNGAL**

Director

**P SRIKAR REDDY**Executive Vice President  
& Chief Operating Officer**R SATHYANARAYANA**

AVP - Finance &amp; Accounts

**PRAVEEN KUMAR D**

Company Secretary

Bangalore 17<sup>th</sup> April, 2009

## LIST OF RELATED PARTIES &amp; NATURE OF RELATIONSHIP

	List of related parties	Nature of Relationship
<b>S B Ghia Director</b>	Bhupati Investments & Finance Pvt. Ltd.	Significant Influence (through VIPL), Spouse Mrs.R.S.Ghia as Chairperson and brother's wife Mrs.V.D.Ghia as Director
	Chika Pvt. Ltd.	Son Mr.N.S. Ghia as Chairman
	Viraj Investments Pvt. Ltd. (VIPL)	Son as Chairman and Spouse, Brother's wife are Directors
<b>M D Dalal Executive Vice Chairman</b>	Daltreya Investment & Finance Pvt. Ltd.	Spouse & sister are Directors
<b>Viren Raheja Director</b>	Rajan B Raheja	Father
	Suman R Raheja	Mother
	Akshay R Raheja	Brother
	Excelsior Construction Pvt. Ltd.	100% shareholding by Mr.Rajan B Raheja & his family
	Gstaad Investments & Finance Pvt. Ltd.	100% shareholding by Mr.Rajan B Raheja & his family
	Trophy Investments & Finance Pvt. Ltd.	100% shareholding by Mr.Rajan B Raheja & his family
<b>B Ramaswamy Managing Director &amp; President</b>	Sonata Information Technology Ltd.	Director
	TUI InfoTec GmbH, Germany	Member of Supervisory Board
	Sonata Software FZ LLC, Dubai	Director
<b>P Srikar Reddy Executive Vice President &amp; COO</b>	Sonata Information Technology Ltd.	Director
	TUI InfoTec GmbH, Germany	Managing Director
	Sonata Software FZ LLC, Dubai	Director
<b>Subsidiaries</b>	Sonata Information Technology Ltd.	Wholly owned subsidiary of Sonata
	Sonata Software FZ LLC, Dubai	Wholly owned 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

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	31.03.2009		

#### 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.)

<b>Total Liabilities</b>	<b>2,238,263,000</b>	<b>Total Assets</b>	<b>2,238,263,000</b>
<b>Sources of Funds</b>			
Paid Up Capital	105,159,306	Reserves & Surplus	2,133,103,694
Secured Loans	NIL	Unsecured Loans	NIL
Deferred Tax Liability	NIL		
<b>Application of Funds</b>			
Net Fixed Assets	272,359,096	Investments	1,262,628,341
Net Current Assets	626,456,676	Deferred Tax Asset	76,818,887
Accumulated Losses	NIL	Misc. Expenditure	NIL

#### IV Performance of Company (Rs.)

Turnover	2,446,299,744	Total Expenditure	1,880,945,501
Profit Before Tax	565,354,243	Profit After Tax	533,589,132
Earning Per Share	5.07	Dividend Rate (Incl. Interim 50%)	150%

#### 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

**CA.Y N THAKKAR**  
Partner

#### For and on behalf of the Board

**PRADIP P SHAH**  
Chairman

**B RAMASWAMY**  
Managing Director  
& President

**BRIJENDRA K. SYNGAL**  
Director

**PRAVEEN KUMAR D**  
Company Secretary

**S B GHIA**  
Director

**VIREN RAHEJA**  
Director

**P SRIKAR REDDY**  
Executive Vice President  
& Chief Operating Officer

**M D DALAL**  
Executive Vice Chairman

**S N TALWAR**  
Director

**R SATHYANARAYANA**  
AVP - Finance & Accounts

Bangalore 17<sup>th</sup> April, 2009

## Sonata Software Limited

### CASH FLOW STATEMENT

(Rs.)

	YEAR ENDED 31.03.2009	YEAR ENDED 31.03.2008
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
<b>Net Profit before Tax</b>	<b>565,354,243</b>	<b>395,774,051</b>
Adjustments for:		
Depreciation	81,316,414	94,525,720
Interest received	(1,173,090)	(1,913,737)
Interest paid to bank	3,881,623	1,149,861
Provision for Doubtful Debts	11,537,756	-
Provision no longer required	-	(1,619,674)
Service tax Input written back	(4,980,926)	-
(Profit)/Loss on sale of Fixed Assets	62,184	(37,197)
Dividend received	(610,892)	(2,914,685)
Profit on sale of investments	-	(39,165)
<b>Operating Profit before Working Capital Changes</b>	<b>655,387,312</b>	<b>484,925,174</b>
Adjustments for:		
Decrease/(Increase) in Sundry Debtors	(59,387,246)	(18,579,690)
Decrease/(Increase) in Inventories	15,680,980	15,680,981
Decrease/(Increase) in Other Current Assets	2,974,801	(2,209,617)
Decrease/(Increase) in Loans and Advances	(75,559,808)	(40,028,940)
(Decrease)/Increase in Current Liabilities & Provisions	25,085,952	3,433,576
Decrease/(Increase) in Deferred Tax Asset	27,487,943	14,334,266
Cash generated from operations	591,669,934	457,555,751
Direct taxes / Advance tax paid	(28,353,000)	(34,460,467)
<b>Net Cash from Operating Activities</b>	<b>(A) 563,316,934</b>	<b>423,095,284</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Dividend received	610,892	2,914,685
Interest received	1,173,090	1,913,737
Purchase of Fixed Assets	(57,307,508)	(74,017,289)
Sale of Fixed Assets	158,814	93,441
Sale of Investments	271,592,303	568,550,908
Purchase of Investments	(291,610,893)	(583,511,743)
Investments in subsidiaries	(224,414,250)	(261,697,998)
Redemption of investment in Subsidiaries	-	11,251,310
<b>Net Cash used in Investing Activities</b>	<b>(B) (299,797,552)</b>	<b>(334,502,949)</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Dividends / Dividend Taxes Paid	(258,365,373)	(135,334,243)
Interest paid to bank	(3,881,623)	(1,149,861)
<b>Net cash from Financing Activities</b>	<b>(C) (262,246,996)</b>	<b>(136,484,104)</b>
<b>Net Increase /(Decrease) in Cash and Cash Equivalents</b>	<b>(A+B+C) 1,272,386</b>	<b>(47,891,769)</b>
<b>Opening Cash and Cash Equivalents</b>	<b>138,355,466</b>	<b>186,247,235</b>
<b>Closing Cash and Cash Equivalents</b>	<b>139,627,852</b>	<b>138,355,466</b>

**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.)

	<b>YEAR ENDED 31.03.2009</b>	<b>YEAR ENDED 31.03.2008</b>
Cash on hand and balance with banks	146,206,968	157,570,033
Short term investments	-	-
<b>Cash and Cash Equivalents</b>	<b>146,206,968</b>	<b>157,570,033</b>
Effect of exchange rate change	<b>(6,579,116)</b>	<b>(19,214,567)</b>
<b>Cash and Cash Equivalents as restated</b>	<b>139,627,852</b>	<b>138,355,466</b>

2. The Company has undrawn borrowing facilities of Rs. 2028 lacs.
3. Direct taxes / Advance tax paid during the year ended 31.03.2009 amounted to Rs. 283.53 lacs.
4. Previous year's figures have been regrouped wherever necessary to confirm to current year's classification.
5. During the year, the company has taken credit for tax amounting to Rs. 612.37 lacs which is available for credits in the future years in terms of section 115JAA of the Income Tax Act, 1961

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

Chartered Accountants

**CA.Y N THAKKAR**  
Partner

**PRADIP P SHAH**  
Chairman

**S B GHIA**  
Director

**M D DALAL**  
Executive Vice Chairman

**B RAMASWAMY**  
Managing Director  
& President

**VIREN RAHEJA**  
Director

**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

Bangalore 17<sup>th</sup> April, 2009

## 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.	Sonata Software FZ LLC	Sonata Software GmbH	Sonata Europe Limited	TUI InfoTec GmbH
2. Financial year ended	31 <sup>st</sup> March, 2009	31 <sup>st</sup> March, 2009	31 <sup>st</sup> March, 2009	31 <sup>st</sup> March, 2009	31 <sup>st</sup> March, 2009	31 <sup>st</sup> March, 2009
3. Holding Company's interest	100% in Equity Share Capital	100% in Equity Share Capital	100% 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 shares of 1000 AED 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	NIL	NIL	NIL	NIL	NIL	NIL
b. not dealt with or provided for in the accounts of the Holding Company	Profit: Rs.85,525,294	Profit: USD 485,567	Profit: USD 30,320	Profit: EURO 57,058	Profit: GBP 1,039,932	Profit: EURO 2,093,924
6. The net aggregate of profits or losses for the previous financial year of the Subsidiary so far as it concerns the members of the Holding company						
a. dealt with or provided for in the accounts of the Holding Company	NIL	NIL	NIL	NIL	NIL	NIL
b. not dealt with or provided for in the accounts of the Holding Company	Profit: Rs.139,513,071	Loss: USD 3,441,425	NIL	Profit: EURO 36,133	Profit: GBP 218,084	Profit: EURO 3,087,490

#### For and on behalf of the Board

**PRADIP P SHAH**  
Chairman

**S B GHIA**  
Director

**M D DALAL**  
Executive Vice Chairman

**B RAMASWAMY**  
Managing Director  
& President

**VIREN RAHEJA**  
Director

**S N TALWAR**  
Director

**BRIJENDRA K. SYNGAL**  
Director

**P SRIKAR REDDY**  
Executive Vice President  
& Chief Operating Officer

**R SATHYANARAYANA**  
AVP - Finance & Accounts

Bangalore 17<sup>th</sup> April, 2009

**PRAVEEN KUMAR D**  
Company Secretary



## 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

We have examined the attached Consolidated Balance Sheet of Sonata Software Limited and its subsidiaries as at 31st March, 2009 and also the Consolidated Profit and Loss Account for the period from 1st April, 2008 to 31st March, 2009 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 75,881,839 as at 31st March, 2009 and total revenues of USD 176,732,018 for the period from 1st April, 2008 to 31st March, 2009. These financial statements have been audited by other auditors except for Sonata Software GmbH whose financial statements have been reviewed by their 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 except for Sonata Software GmbH whose financial statements have been reviewed by their auditors.

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, 2009;
- 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, 2008 to 31st March, 2009; 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, 2008 to 31st March, 2009.

For **N. M. Rajji & Co.**,  
Chartered Accountants

**CA. Y N Thakkar**  
Partner

Place : Bangalore  
Date : 17<sup>th</sup> April, 2009

Membership No: 33329

## Sonata Software Limited - Consolidated Financial Statement

BALANCE SHEET AS AT 31<sup>ST</sup> MARCH, 2009

(Rs.)

	SCHEDULE	AS AT 31.03.2009	AS AT 31.03.2008
<b>SOURCES OF FUNDS</b>			
<b>SHAREHOLDERS' FUNDS</b>			
Share Capital	1	105,159,306	105,159,306
Reserves and Surplus	2	2,662,872,112	2,183,374,396
		<b>2,768,031,418</b>	<b>2,288,533,702</b>
		<b>308,055,453</b>	<b>269,061,066</b>
<b>MINORITY INTEREST</b>			
<b>LOAN FUNDS</b>			
Secured Loans	3	33,745,000	283,440,205
		<b>1,023,971</b>	<b>1,141,157</b>
<b>DEFERRED TAX LIABILITY</b>			
<b>TOTAL FUNDS EMPLOYED</b>			
		<b>3,110,855,842</b>	<b>2,842,176,130</b>
<b>APPLICATION OF FUNDS</b>			
<b>FIXED ASSETS</b>			
Gross Block	4	7,474,915,554	7,173,727,099
Less : Depreciation		5,621,326,735	5,410,521,933
Net Block		<b>1,853,588,819</b>	<b>1,763,205,166</b>
Capital work-in-progress & advances		56,324,250	74,096,214
		<b>1,909,913,069</b>	<b>1,837,301,380</b>
<b>INVESTMENTS</b>			
	5	<b>80,973,829</b>	<b>238,678,833</b>
<b>DEFERRED TAX ASSET</b>			
		<b>198,884,922</b>	<b>227,215,865</b>
<b>CURRENT ASSETS, LOANS &amp; ADVANCES</b>			
Inventories	6	54,748,872	144,708,850
Sundry Debtors	7	2,777,512,065	2,386,924,767
Cash and Bank Balances	8	817,367,943	764,441,760
Other Current Assets	9	82,531,101	74,701,956
Loans and Advances	10	1,196,396,362	349,787,630
		<b>4,928,556,343</b>	<b>3,720,564,963</b>
<b>Less: CURRENT LIABILITIES &amp; PROVISIONS</b>			
Current Liabilities	11	3,994,652,303	3,096,219,289
Provisions	12	12,820,018	85,365,622
		<b>4,007,472,321</b>	<b>3,181,584,911</b>
<b>NET CURRENT ASSETS</b>			
		<b>921,084,022</b>	<b>538,980,052</b>
<b>TOTAL FUNDS APPLIED</b>			
		<b>3,110,855,842</b>	<b>2,842,176,130</b>
<b>NOTES FORMING PART OF ACCOUNTS</b> 19			

As per our Report annexed

For and on behalf of the Board

For N M RAIJI & Co.  
Chartered Accountants

CA. Y N THAKKAR  
Partner

PRADIP P SHAH  
Chairman

S B GHIA  
Director

M D DALAL  
Executive Vice Chairman

B RAMASWAMY  
Managing Director  
& President

VIREN RAHEJA  
Director

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

Bangalore 17<sup>th</sup> April, 2009

## Sonata Software Limited - Consolidated Financial Statement

### PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2009

(Rs.)

	SCHEDULE	YEAR ENDED 31.03.2009	YEAR ENDED 31.03.2008
<b>INCOME</b>			
Sales and Services (Net)	13	15,912,684,277	14,283,689,780
Other Income	14	109,521,335	310,575,317
<b>Total Income</b>		<b>16,022,205,612</b>	<b>14,594,265,097</b>
<b>EXPENDITURE</b>			
Operating and Other Expenses	15	8,532,063,302	7,730,465,027
Purchase of traded items	16	5,753,012,790	5,510,791,163
Interest	17	66,942,254	49,589,193
Depreciation		435,018,216	433,514,683
Bad debts		4,721,060	1,042,731
Provision for Doubtful Debts		14,501,306	15,303,678
		<b>14,806,258,928</b>	<b>13,740,706,475</b>
Add/(Less): (Increase) / Decrease in Stocks	18	89,959,978	(88,611,219)
		<b>14,896,218,906</b>	<b>13,652,095,256</b>
<b>Profit Before Tax</b>		<b>1,125,986,706</b>	<b>942,169,841</b>
Provision for Tax (refer schedule 19, note 1)		282,787,456	171,434,521
MAT credit		(61,237,382)	(46,257,892)
<b>Profit After Tax before minority interest/share of earning in affiliates</b>		<b>904,436,632</b>	<b>816,993,212</b>
Share in earning of affiliates		2,510,048	5,994,298
Minority Interest		(141,267,605)	(237,797,529)
<b>Profit After Tax after minority interest/share of earning in affiliates</b>		<b>765,679,075</b>	<b>585,189,981</b>
Add : Balance of Profit brought forward from previous year		1,288,042,679	893,783,261
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
<b>Disposable Surplus</b>		<b>2,053,721,754</b>	<b>1,463,376,923</b>
Proposed Dividend		-	63,095,584
Interim Dividend		157,738,959	52,579,653
Provision for Dividend Tax		26,807,736	19,659,007
Transfer to General Reserve		60,000,000	40,000,000
Balance carried to Balance Sheet		1,809,175,059	1,288,042,679
		<b>2,053,721,754</b>	<b>1,463,376,923</b>
<b>NOTES FORMING PART OF ACCOUNTS</b>			
	19		
<b>EPS - Basic</b> (on Re.1/- per share)		<b>7.28</b>	<b>5.56</b>
<b>EPS - Diluted</b> (on Re.1/- per share)		<b>7.28</b>	<b>5.56</b>

As per our Report annexed

For and on behalf of the Board

For N M RAIJI & Co.

Chartered Accountants

**CA. Y N THAKKAR**  
Partner

**PRADIP P SHAH**  
Chairman

**S B GHIA**  
Director

**M D DALAL**  
Executive Vice Chairman

**B RAMASWAMY**  
Managing Director  
& President

**VIREN RAHEJA**  
Director

**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

Bangalore 17<sup>th</sup> April, 2009

## Sonata Software Limited - Consolidated Financial Statement

SCHEDULES ATTACHED TO AND FORMING PART OF THE CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2009

(Rs.)

	AS AT 31.03.2009	AS AT 31.03.2008
<b>SCHEDULE 1 : SHARE CAPITAL</b>		
<b>Authorised :</b>		
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>
<b>Issued :</b>		
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>
<b>Subscribed and Paid-Up :</b>		
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.		
<b>SCHEDULE 2 : RESERVES AND SURPLUS</b>		
<b>Securities Premium Account</b>	<b>450,924,411</b>	<b>450,924,411</b>
<b>General Reserve</b>		
Balance brought forward	418,154,246	402,700,000
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>60,000,000</u>	<u>40,000,000</u>
	<b>478,154,246</b>	<b>418,154,246</b>
<b>Capital Redemption Reserve*</b>		
Opening balance	26,253,060	15,001,750
Add: During the year	<u>-</u>	<u>11,251,310</u>
	<b>26,253,060</b>	<b>26,253,060</b>
<b>Profit and Loss Account</b>		
1,809,175,059	1,809,175,059	1,288,042,679
Adjustment in Reserves of TUI Infotec GmbH	<u>1,471,698</u>	<u>-</u>
	1,810,646,757	1,288,042,679
Hedging Reserve (Refer Note 8 - Schedule 19)	<u>(103,106,362)</u>	<u>-</u>
	<b>2,662,872,112</b>	<b>2,183,374,396</b>
* (Capital Redemption Reserve is created on account of buyback of the shares of Sonata Information Technology Limited )		
<b>SCHEDULE 3: SECURED LOANS</b>		
From banks	<u>33,745,000</u>	<u>283,440,205</u>

## Sonata Software Limited - Consolidated Financial Statement

Schedules (Contd.)

### SCHEDULE 4: FIXED ASSETS

Assets	Gross Block				Depreciation				Net Block as at 31.03.2009
	Cost as at 01.04.2008	Additions	Deductions/ Adjustments	Cost as at 31.03.2009	As at 01.04.2008	For the Year	Deductions/ Adjustments	As at 31.03.2009	
Goodwill	1,197,681,322 (1,197,681,322)	- (-)	- (-)	1,197,681,322 (1,197,681,322)	163,613,104 (161,847,637)	2,639,650 (1,765,467)	- (-)	166,252,754 (163,613,104)	1,031,428,568 (1,034,068,218)
Leasehold Land	- (-)	35,200,000 (-)	- (-)	35,200,000 (-)	- (-)	179,592 (-)	- (-)	179,592 (-)	35,020,408 (-)
Buildings	15,493,000 (15,493,000)	- (-)	- (-)	15,493,000 (15,493,000)	1,957,094 (1,704,557)	252,537 (252,537)	- (-)	2,209,631 (1,957,094)	13,283,369 (13,535,906)
Leasehold Improvements	99,510,125 (65,515,194)	2,481,176 (33,994,931)	- (-)	101,991,301 (99,510,125)	34,262,662 (20,373,367)	16,514,114 (13,889,295)	- (-)	50,776,776 (34,262,662)	51,214,525 (65,247,463)
Plant & Machinery	5,532,864,537 (5,384,535,521)	460,064,911 (270,161,388)	241,675,849 (121,832,372)	5,751,253,599 (5,532,864,537)	5,011,846,664 (4,743,566,885)	399,625,944 (377,117,836)	230,760,286 (108,838,057)	5,180,712,322 (5,011,846,664)	570,541,277 (521,017,873)
Furniture & Fixtures	111,478,170 (172,829,828)	1,454,451 (6,877,742)	182,214 (68,229,400)	112,750,407 (111,478,170)	77,845,870 (116,882,899)	6,869,499 (8,351,971)	135,528 (47,389,000)	84,579,841 (77,845,870)	28,170,566 (33,632,300)
Motor Car & Vehicles	9,461,520 (9,461,520)	1,686,810 (-)	- (-)	11,148,330 (9,461,520)	4,102,492 (2,230,339)	1,556,685 (1,872,153)	- (-)	5,659,177 (4,102,492)	5,489,153 (5,359,028)
Air Conditioners & Other Equipments	207,238,425 (76,916,413)	43,252,564 (44,466,169)	1,093,394 (-85,855,843)	249,397,595 (207,238,425)	116,894,047 (28,150,130)	7,380,195 (30,265,424)	-6,682,400 (-58,478,493)	130,956,642 (116,894,047)	118,440,953 (90,344,378)
<b>TOTAL</b>	<b>7,173,727,099</b> (6,922,432,798)	<b>544,139,912</b> (355,500,230)	<b>242,951,457</b> (104,205,929)	<b>7,474,915,554</b> (7,173,727,099)	<b>5,410,521,933</b> (5,074,755,814)	<b>435,018,216</b> (433,514,683)	<b>224,213,414</b> (97,748,564)	<b>5,621,326,735</b> (5,410,521,933)	<b>1,853,588,819</b> (1,763,205,166)
Capital work in progress & advances									56,324,250 (74,096,214)
<b>GRAND TOTAL</b>									<b>1,909,913,069</b> (1,837,301,380)

Note:

- Figures in brackets pertain to previous year ended 31st March, 2008.
- Buildings include cost of shares Rs.7,000(Previous year Rs.7,000).
- Plant and Machinery includes Computer and Software.

	AS AT 31.03.2009	AS AT 31.03.2008
<b>SCHEDULE 5 : INVESTMENTS</b>		
<b>LONG TERM (AT COST)</b>		
<b>IN FOREIGN HOLDINGS</b>		
<b>UNQUOTED</b>		
In TUI Infotec Group Undertaking (refer Schedule 19)	1,184,572	1,184,572
In TUI Infotec associate companies (refer Schedule 19)	44,571,252	42,048,397
<b>QUOTED</b>		
138 shares of Principal Financial Group Inc., of USD 30.13 per share (Previous year 138 Shares of USD 30.13 per share)	199,415	199,415
	<b>45,955,239</b>	<b>43,432,384</b>
<b>SHORT TERM, (AT COST, UNLESS OTHERWISE SPECIFIED)</b>		
<b>MUTUAL FUNDS (QUOTED)</b>		
Birla Sun Life Liquid Plus 2,000,498.614 units at Rs. 10.0068 per unit (Market Value Rs. 10.0068 per unit aggregating Rs. 200,18,590) (Previous year:10,006,591.0560 units at Rs.10.0068 per unit)	20,018,590	100,137,558
Standard Chartered Mutual Fund (Previous year: 8006485.5740 units at Rs 10.0055 per unit)	-	80,108,891
Standard Chartered Mutual Fund (1,489,528.614 units at Rs 10.0703 per unit) (Market Value Rs.10.0055 per unit aggregating Rs.15,000,000) (Previous year: 1,499,175.4540 units at Rs 10.0055 per unit)	15,000,000	15,000,000
	<b>35,018,590</b>	<b>195,246,449</b>
	<b>80,973,829</b>	<b>238,678,833</b>

## Sonata Software Limited - Consolidated Financial Statement

Schedules (Contd.)

(Rs.)

	AS AT 31.03.2009	AS AT 31.03.2008
<b>SCHEDULE 6 : INVENTORIES</b>		
In process	20,029,058	17,845,483
Finished Products	34,719,814	126,863,367
	<b>54,748,872</b>	<b>144,708,850</b>
<b>SCHEDULE 7 : SUNDRY DEBTORS</b>		
<b>Unsecured</b>		
Debts outstanding for a period exceeding six months		
Considered Good	197,329,238	28,809,987
Considered Doubtful	25,468,345	9,724,510
	<b>222,797,583</b>	<b>38,534,497</b>
Other Debts Considered Good	2,580,182,827	2,358,114,780
Less : Provision for Doubtful Debts	25,468,345	9,724,510
	<b>2,777,512,065</b>	<b>2,386,924,767</b>
<b>SCHEDULE 8 : CASH AND BANK BALANCES</b>		
Cash and Cheques on hand	413,029	551,033
Balances with Scheduled Banks :		
In Current Accounts	251,703,803	118,659,288
In Deposit Accounts	117,372,328	212,165,764
In Unclaimed Dividend Account	6,545,934	4,908,420
Balances with other banks in current account :		
Bank of America, New York, USA (Maximum balance held during the year Rs.45,192,513 Previous year Rs.57,986,110)	7,509,835	15,892,153
PNC Bank N A, New Jersey, USA (Maximum balance held during the year Rs.17,453,996 Previous year Rs.17,017,905)	1,138,717	271,541
Hong Kong and Shanghai Banking Corporation, Singapore (Maximum balance held during the year Rs.666,353 Previous year Rs. 660,056)	520,942	150,975
Hong Kong and Shanghai Banking Corporation, London, UK (Maximum balance held during the year Rs.110,745,120 Previous year Rs.155,798,368)	14,873,791	28,720,422
Hong Kong and Shanghai Banking Corporation, London, UK-Imprest A/c (Maximum balance held during the year Rs. 61,211,429 Previous year Rs 68,755,333)	1,127,844	9,631,966
Bank of America, San Leandro, USA (Maximum balance held during the year Rs.46,882,655 Previous year Rs.45,875,057)	23,863,542	10,108,063
Hypovereinsbank, Germany (Maximum balance held during the year Rs.35,276,108 Previous year Rs.12,641,812)	19,818,036	11,383,720
Deutsche Bank-GmbH, Germany (Maximum balance held during the year Rs.19,003,810 Previous year Rs. 639,219)	1,747,080	411,547
Dresdner Bank-TUI InfoTec GmbH, Germany (Maximum balance held during the year Rs.1,404,951,136 Previous year Rs.628,545,972)	367,400,058	351,532,336
Emirates Bank, UAE (Maximum balance held during the year Rs.6,614,250)	1,976,476	-
Balances with other banks in Deposit Account:		
Bank of America, San Leandro, USA	1,356,528	54,532
	<b>817,367,943</b>	<b>764,441,760</b>

## Sonata Software Limited - Consolidated Financial Statement

Schedules (Contd.)

(Rs.)

	<b>AS AT 31.03.2009</b>	<b>AS AT 31.03.2008</b>
<b>SCHEDULE 9 : OTHER CURRENT ASSETS</b>		
Income Accrued but not due	82,531,101	74,701,956
<b>SCHEDULE 10 : LOANS AND ADVANCES</b>		
<b>Unsecured</b>		
(Considered good, unless otherwise stated)		
Advances / Loans to Employees	954,745	5,414,391
Advances recoverable in cash or in kind or for value to be received	752,147,706	342,936,734
Advance payment of tax (net of provisions)	443,293,911	1,436,505
	<b>1,196,396,362</b>	<b>349,787,630</b>
<b>SCHEDULE 11 : CURRENT LIABILITIES</b>		
<b>Sundry Creditors</b>		
Micro and Small Enterprises	-	-
Others	1,631,653,481	920,567,398
	1,631,653,481	920,567,398
Other Liabilities	2,356,452,888	2,170,743,471
Investor Education and Protection Fund (Not Due)	6,545,934	4,908,420
	<b>3,994,652,303</b>	<b>3,096,219,289</b>
<b>SCHEDULE 12 : PROVISIONS</b>		
Compensated Absences	12,820,018	9,783,442
Gratuity	-	1,763,502
Dividend	-	63,095,584
Dividend Tax	-	10,723,094
	<b>12,820,018</b>	<b>85,365,622</b>
	<b>Year Ended 31.03.2009</b>	<b>Year Ended 31.03.2008</b>
<b>SCHEDULE 13 : SALES AND SERVICES (Net)</b>		
Sales	11,300,264,974	10,407,713,263
Services	4,612,419,303	3,875,976,517
	<b>15,912,684,277</b>	<b>14,283,689,780</b>
<b>SCHEDULE 14 : OTHER INCOME</b>		
Interest received - Gross	17,469,443	143,164,549
(Tax Deducted at Source Rs. 395,224 Previous year Rs. 301,185)		
Excess Provisions no longer required (Net)	2,462,458	113,232,248
Service tax Input written back	18,347,829	-
Profit on sale of Investments (Net)	-	93,198
Dividend Received	1,689,680	7,781,821
Miscellaneous Income	69,551,925	46,303,501
	<b>109,521,335</b>	<b>310,575,317</b>

## Sonata Software Limited - Consolidated Financial Statement

Schedules (Contd.)

	Year Ended 31.03.2009	Year Ended 31.03.2008
(Rs.)		
<b>SCHEDULE 15 : OPERATING AND OTHER EXPENSES</b>		
Salaries, Wages, Bonus and Allowances (Including Directors' remuneration)	3,951,193,233	3,086,541,122
Contribution to Provident Fund and other Funds	93,958,154	69,749,606
Staff Welfare Expenses	80,316,175	68,467,163
	<b>4,125,467,562</b>	<b>3,224,757,891</b>
Power and Fuel	35,294,113	36,110,760
Rent	1,074,857,485	884,723,548
Rates & Taxes	3,749,677	25,037,513
Insurance	43,994,282	44,020,310
Repairs to :		
Plant and Machinery	178,513,410	131,942,185
Others	201,021,459	193,675,218
	<b>379,534,869</b>	<b>325,617,403</b>
Travelling and Conveyance Expenses	214,233,157	222,742,308
Subsistence/Living Cost	252,914,948	284,806,398
Legal, Prof & Technical Fees	1,557,121,916	1,810,344,784
Communication Cost	594,262,072	696,002,395
Auditor's Remuneration :		
Audit Fees	2,533,362	1,630,243
Certification	413,000	402,000
Out of pocket expenses	-	56,583
	<b>2,946,362</b>	<b>2,088,826</b>
Royalty	571,630	2,986,275
Commission on Sales	9,795,545	13,526,773
Miscellaneous Expenses	106,627,038	145,096,490
Foreign exchange variation	130,046,329	10,194,596
Loss on sale of Fixed Assets (Net)	646,317	2,408,757
	<b>8,532,063,302</b>	<b>7,730,465,027</b>
<b>SCHEDULE 16 : PURCHASE OF TRADED ITEMS</b>		
Purchase of traded items	<b>5,753,012,790</b>	<b>5,510,791,163</b>
<b>SCHEDULE 17 : INTEREST</b>		
Interest on Fixed Loans	7,391,652	33,262,279
Interest others	59,550,602	16,326,914
	<b>66,942,254</b>	<b>49,589,193</b>
<b>SCHEDULE 18: (INCREASE)/DECREASE IN STOCKS</b>		
<b>Opening Stock :</b>		
In process	17,845,483	-
Finished Products	126,863,367	56,097,631
	<b>144,708,850</b>	<b>56,097,631</b>
<b>Closing Stock :</b>		
In process	20,029,058	17,845,483
Finished Products	34,719,814	126,863,367
	<b>54,748,872</b>	<b>144,708,850</b>
<b>(Increase) / Decrease in Stocks</b>	<b>89,959,978</b>	<b>(88,611,219)</b>

**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), TUI InfoTec GmbH and Sonata Software FZ LLC, (collectively, the Company) is a provider of IT service globally. Further, the Company has an established product line business in India, which mainly deals with computer software products of World leaders like Microsoft, Sco, IBM and Oracle. The Company is headquartered in Bangalore.

**Description of business:**

SSL is founded to provide Information Technology (IT) solutions, IT consulting, Development services globally, enhancing competitive advantage of its customers. The Company also provides both on-site as well as offshore services in the area of, ERP customization conversion and migration projects, data warehousing, Business Intelligence, Web Development, 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, SAP, 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 up 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 through out 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 InfoTech GmbH, Germany.

Sonata Software FZ LLC, a wholly owned subsidiary company incorporated under the Registrar of Companies, The Dubai Technology and Media Free Zone Authority, Dubai, which is engaged in software development services. Sonata holds 100% equity in Sonata Software FZ LLC.

**Basis of preparing the financial statements:**

The accompanying financial statements for the fiscal period beginning on 1st April 2008 and ending on 31st March, 2009

have been prepared incorporating Accounting Policies of the parent company under the historical cost convention, incompliance with Indian Generally Accepted Accounting Practices ("GAAP") comprising of accounting standards notified by Companies Accounting Standards Rules 2006 and the relevant 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 estimate and assumptions that affect the reported amounts of assets and liabilities, revenues and expenditures and disclosure of contingent liabilities. Although these estimates are based on the management's best knowledge of current events and the actions the company may undertake in future, actual result ultimately may differ from the estimates.

**Reinstatement of Financial Statements:**

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

The reporting currency of the company and its Indian subsidiary is the Indian rupee. The reporting currency of the Company's foreign subsidiaries 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.

**Revenue from Sales & Services**

Income from Sales & Services includes gain on account of exchange fluctuation of Rs. 43,923,199 for the current year ended 31st March 2009 and a loss of Rs. 27,579,083 for the previous year ended 31st March 2008.

**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.

## Sonata Software Limited - Consolidated Financial Statement

Schedules (Contd.)

### Investments in TUI Infotec 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 (31/12/08). The Associates of TUI InfoTec and the ownership interest are as follows:

(Rs.)

Name of the Company	% Share held	Original Cost of Investment	Accumulated Profit/(Loss)/ adjustment	Carrying amount of Investments as at 31.03.09
Accon-RVS Accounting GmbH*	50%	39,223,592 (41,577,529)	-1,284,324 (-2,353,937)	37,939,268 (39,223,592)
BOSYS Software GmbH**	25.2%	2,824,805 (-)	3,807,179 (2,824,805)	6,631,984 (2,824,805)
<b>Total</b>		<b>42,048,397</b> (41,577,529)	<b>2,522,855</b> (470,868)	<b>44,571,252</b> (42,048,397)

\* Investment held by TUI InfoTec GmbH

\*\* Investment held by subsidiary of TUI Infotec GmbH namely Travel BA Sys

### Investment in TUI Infotec Group Undertaking

On the balance sheet date TUI Infotec holds 79% share in Travel BA . Sys Beteiligungs GmbH, Mulheim an der Ruhr. The financials of Travel BA sys has not been considered for consolidation by TUI Infotec group in view of the fact that the financials of travel BA sys GmbH is of minor importance for the factual presentation of net assets, financial and earnings position of TUI Infotec group.

### 1. Income Tax:

Provision for Taxation for the year ended 31st March, 2009 consists of following:

(Rs.)

Income Tax	
Domestic	107,142,381 (79,852,963)
Foreign	135,839,448 (135,736,705)
Deferred Tax	
Domestic	23,155,372 (25,736,366)
Foreign	73,28,255 (-80,303,903)
Provision for Wealth Tax	43,000 (36,000)
Fringe Benefit Tax	92,79,000 (10,376,390)
<b>Total</b>	<b>282,787,456</b> (171,434,521)

### 2. Deferred Income Tax:

Deferred Tax Asset (Net) for the year ended 31st March 2009 amounts to Rs. -30,690,537 (Rs. 54,567,538). DTA for the current year ended 31st March 2009 includes foreign exchange profit of Rs. 2,476,780 (Gain of Rs. 1,055,262)

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

(Rs.)

	DTA	DTL	Net DTA/DTL
Carry Forward Loss	205,703,824 (151,336,679)	- (-)	205,703,824 (151,336,679)
Others	- (75,879,186)	7,842,873 (1,141,157)	-7,842,873 (74,738,029)
<b>Total</b>	<b>205,703,824</b> (227,215,865)	<b>7,842,873</b> (1,141,157)	<b>197,860,951</b> (226,074,708)

## Sonata Software Limited - Consolidated Financial Statement

Schedules (Contd.)

	<u>31.03.2009</u>	<u>31.03.2008</u>
3. Estimated amount of contracts remaining to be executed and not provided (net of advances)	50,007,668	132,274,794
4. Contingent Liabilities not provided for		
I. Disputed Income Tax demands (Inclusive of Interest Charged)	26,837,461	26,837,461
This amount excludes:		
<p>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 and Rs. 797,662,187 (Rs.1,720,876,861) being the tax liability on account of consequential disallowance of payments for purchase of software based on legal opinion obtained from a Senior Counsel.</p>		
	<u>31.03.2009</u>	<u>31.03.2008</u>
II. Disputed KVAT from commercial tax department	68,13,800	-
III. Claims against the Company not acknowledged as debts -	21,677,210	21,677,210

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

## Sonata Software Limited - Consolidated Financial Statement

Schedules (Contd.)

### Primary Reporting Requirement - Profit & Loss Account

(Rs.)

	Domestic	International	Total
Revenue	6,382,964,806 (5,939,586,383)	9,529,719,471 (8,344,103,397)	15,912,684,277 (14,283,689,780)
Direct and allocated Segment Cost	6,253,479,291 (5,861,332,862)	8,140,779,145 (7,307,658,518)	14,394,258,436 (13,168,991,380)
Inter - Segment Cost	- (-)	- (-)	- (-)
Total Cost	6,253,479,291 (5,861,332,862)	8,140,779,145 (7,307,658,518)	14,394,258,436 (13,168,991,380)
Operating Profit	129,485,515 (78,253,521)	1,388,940,326 (1,036,444,879)	1,518,425,841 (1,114,698,400)
Other Income	21,590,112 (18,061,884)	87,931,223 (292,513,433)	109,521,335 (310,575,317)
Profit Before Interest, Depreciation and Tax	151,075,627 (96,315,405)	1,476,871,549 (1,328,958,312)	1,627,947,176 (1,425,273,717)
Depreciation	4,085,003 (4,370,834)	430,933,213 (429,143,849)	435,018,216 (433,514,683)
Profit Before Interest and Tax	146,990,624 (91,944,571)	1,045,938,335 (899,814,463)	1,192,928,959 (991,759,034)
Interest	15,668,497 (5,899,405)	51,273,757 (43,689,788)	66,942,254 (49,589,193)
Profit Before Tax	131,322,127 (86,045,166)	994,664,579 (856,124,675)	1,125,986,706 (942,169,841)
Provision for Taxation	46,647,693 (27,673,320)	236,139,763 (143,761,201)	282,787,456 (171,434,521)
MAT Credit	- (-)	-61,237,382 (-46,257,892)	-61,237,382 (-46,257,892)
Profit After Tax	84,674,434 (58,371,846)	819,762,198 (758,621,366)	904,436,632 (816,993,212)
Less : Minority interest	- (-)	141,267,605 (237,797,529)	141,267,605 (237,797,529)
Add: Share of profit of Associates	- (-)	2,510,048 (5,994,298)	2,510,048 (5,994,298)
Profit After Tax and after minority interest and share of profit of Associates	84,674,434 (58,371,846)	681,004,641 (526,818,135)	765,679,075 (585,189,981)

## Sonata Software Limited - Consolidated Financial Statement

Schedules (Contd.)

### Primary Reporting Requirement - Assets and Liabilities

(Rs.)

	Domestic	International	Total
<b>FIXED ASSETS</b>			
Gross Block	33,018,624 (31,394,411)	7,441,896,930 (7,142,332,688)	7,474,915,554 (7,173,727,099)
Less: Depreciation	26,078,139 (22,085,276)	5,595,248,596 (5,388,436,657)	5,621,326,735 (5,410,521,933)
Net Block	6,940,485 (9,309,135)	1,846,648,334 (1,753,896,031)	1,853,588,819 (1,763,205,166)
Capital WIP & Advances	- ( - )	56,324,250 (74,096,214)	56,324,250 (74,096,214)
Investments	- (180,246,449)	80,973,829 (58,432,384)	80,973,829 (238,678,833)
<b>CURRENT ASSETS, LOANS AND ADVANCES</b>			
Inventories	28,890,814 (104,516,372)	25,858,058 (40,192,478)	54,748,872 (144,708,850)
Sundry Debtors	1,205,226,725 (925,774,242)	1,572,285,340 (1,461,150,525)	2,777,512,065 (2,386,924,767)
Cash and Bank Balances	169,183,809 (164,019,417)	648,184,134 (600,422,343)	817,367,943 (764,441,760)
Other Current Assets	10,800,000 (4,900,000)	71,731,101 (69,801,956)	82,531,101 (74,701,956)
Loans and Advances	735,045,876 (145,288,077)	461,350,485 (204,499,553)	1,196,396,361 (349,787,630)
<b>LESS: CURRENT LIABILITIES AND PROVISIONS</b>			
Current Liabilities	1,869,273,995 (1,330,860,814)	2,125,378,308 (1,765,358,475)	3,994,652,303 (3,096,219,289)
Provisions	964,499 (2,531,650)	11,855,519 (82,833,972)	12,820,018 (85,365,622)
<b>NET CURRENT ASSETS</b>	278,908,730 (11,105,644)	642,175,292 (527,874,408)	921,084,022 (538,980,052)
<b>DEFERRED TAX ASSET (NET)</b>	-803,850 (-1,141,157)	198,664,801 (227,215,865)	197,860,951 (226,074,708)

## Sonata Software Limited - Consolidated Financial Statement

Schedules (Contd.)

### Secondary Reporting Requirement - Business Segment

(Rs.)

	Products	Services	Common	Total
Revenue	11,300,264,974 (10,407,713,263)	4,612,419,303 (3,875,976,517)	- (-)	15,912,684,277 (14,283,689,780)
<b>FIXED ASSETS</b>				
Gross Block	- (-)	- (-)	7,474,915,554 (7,173,727,099)	7,474,915,554 (7,173,727,099)
Less: Accumulated Depreciation	- (-)	- (-)	5,621,326,735 (5,410,521,933)	5,621,326,735 (5,410,521,933)
Net Block	- (-)	- (-)	1,853,588,819 (1,763,205,166)	1,853,588,819 (1,763,205,166)
Capital Work-in-Progress	- (-)	- (-)	56,324,250 (74,096,214)	56,324,250 (74,096,214)
Deferred Tax Assets (Net)	- (-)	- (-)	197,860,951 (226,074,708)	197,860,951 (226,074,708)
<b>CURRENT ASSETS</b>				
Inventories	28,890,814 (104,516,372)	- (15,680,980)	25,858,058 (24,511,498)	54,748,872 (144,708,850)
Sundry Debtors	1,205,226,726 (925,774,242)	344,835,953 (292,759,023)	1,227,449,386 (1,168,391,502)	2,777,512,065 (2,386,924,767)
Cash and Bank Balances	- (-)	- (-)	817,367,943 (764,441,760)	817,367,943 (764,441,760)
Other Current Assets	10,800,000 (4,900,000)	71,731,101 (69,801,956)	- (-)	82,531,101 (74,701,956)
Loans and Advances	399,594,861 (145,288,077)	564,328,989 (193,294,258)	232,472,512 (11,205,295)	1,196,396,361 (349,787,630)
Capital Expenditure	- (-)	- (-)	526,367,948 (380,124,633)	526,367,948 (380,124,633)

### 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	8,808,562 (8,337,278)	6,104,492 (4,220,810)	14,913,054 (12,558,088)
P Srikar Reddy	7,472,899 (6,024,783)	3,052,246 (2,110,405)	10,525,145 (8,135,188)
M D Dalal		2,014,482 (1,392,867)	2,014,482 (1,392,867)
S B Ghia		1,220,898 (844,162)	1,220,898 (844,162)
Viren Raheja		1,220,898 (-)	1,220,898 (-)
Pradip P Shah		1,220,898 (844,162)	1,220,898 (844,162)
S N Talwar		1,220,898 (844,162)	1,220,898 (844,162)
Rajan B Raheja		(-) (844,162)	(-) (844,162)
B K Syngal		1,220,898 (844,162)	1,220,898 (844,162)

\* Salaries include taxable value of perquisites.

**7. Employee Benefits :  
Gratuity / Pension Plan**

(a) Defined benefit plan (Funded) - Gratuity / Pension Plan as per actuarial valuation as on March 31, 2009.

(Rs.)

	Funded 2009	Funded 2008	Unfunded 2009
<b>I Change in Obligation during the year ended March 31, 2009</b>			
1 Present value of Defined Benefit Obligation at beginning of the year	50,919,657	41,684,540	517,596,406
2 Current Service Cost	10,303,241	7,939,223	37,601,084
3 Interest Cost	4,786,801	3,710,195	21,345,949
4 Actuarial (Gains)/Losses	8,380,038	4,078,357	124,867,708
5 Benefits Paid	(2,775,777)	(6,492,658)	(6,498,858)
6 Present value of Defined Benefit Obligation at the end of the year	71,613,960	50,919,657	694,912,289
<b>II Change in Assets during the year ended March 31, 2009</b>			
1 Plan assets at the beginning of the year	49,156,155	21,658,910	
2 Expected return on plan assets	6,159,100	3,816,524	
3 Contributions by Employer	29,220,481	29,293,975	
4 Actual benefits paid	(2,775,777)	(6,492,658)	
5 Actuarial Gains / (Losses)	(7,127,231)	879,404	
6 Plan Assets at the end of the year	74,632,728	49,156,155	
<b>III Net Asset/(Liability) recognised in the Balance Sheet as at March 31, 2009</b>			
1 Present Value of defined Benefit Obligation	71,613,960	50,919,657	694,912,289
2 Fair value of plan assets	74,632,728	49,156,155	
3 Fund status Surplus/(Deficit)	3,018,768	(1,763,502)	694,912,289
4 Net Assets / (Liability)	3,018,768	(1,763,502)	
<b>IV Expenses recognised in the statement of Profit &amp; Loss for the year ended March 31, 2009</b>			
1 Current Service Cost	10,303,241	7,939,223	28,780,287
2 Interest Cost	4,786,801	3,710,195	32,757,707
3 Expected return on plan assets	(6,159,100)	(3,816,524)	-
4 Net Actuarial (Gains)/Losses	15,507,269	3,198,953	-
5 Total Expense	24,438,211	11,031,847	61,537,994
<b>V The major categories of plan assets as a percentage of total plan</b>			
Insurer Managed Funds	100%	100%	-
<b>VI Actuarial Assumptions:</b>			
1 Discount Rate	7.50%	8%	5.75%
2 Expected rate of return on plan assets	8%	8%	N.A.
3 Mortality Table	LIC (1994-96) Ultimate	LIC (1994-96) Ultimate	Richttafein 2005Gvon Prof. Dr.Heubeck
4 Retirement Age	58 or 60 years as applicable	58 or 60 years as applicable	63 Years

Note : The funded employee benefits relate to gratuity plan of Sonata Software Limited and Sonata Information Technology Limited.  
The Unfunded employee benefits pertains to Pension Plan of TUI InfoTec GmbH.

- (b) 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.
- (c) 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.
- (d) Amounts for the current period are as follows:

(Rs.)	
Present value of Defined benefit obligation	71,613,960 (50,919,657)
Fair Value of Plan Assets	74,632,728 (49,156,155)
Surplus / (deficit)	3,018,768 (-1,763,502)

- (e) Estimated Contribution for the next year on account of gratuity Rs. 12,132,766 (Rs. 10,837,547)
- (f) Contribution/Provisions to superannuation and other funds stated under defined contribution plan is Rs.16,578,979 (Rs. 14,219,861)

**8. Note on AS 30 adoption:**

Accounting Standard 30, (AS 30) Financial Instruments: Recognition and Measurement was issued by the Institute of Chartered Accountants of India (ICAI) in December 2007. AS 30 becomes recommendatory in respect of accounting periods commencing on or after April 1 2009 and mandatory in respect of accounting periods commencing on or after April 1 2011. ICAI has announced that the earlier adoption of AS 30 is encouraged. For the accounting year 2008-09, the Company has early adopted Accounting Standard 30 (AS 30) "Financial Instruments: Recognition and Measurement".

For the year 2008-09 the Company applied the recognition and measurement principles as set out in AS 30 in accounting derivatives. Changes in fair values of derivative financial instruments designated as effective cash flow hedges were recognized directly into Hedging Reserve in the Balance Sheet under Reserves and Surplus and reclassified into Profit and Loss

account upon the occurrence of the hedged transaction.

As at 31st March 2009, the Company recognized Rs. 1031.06 lacs into "Hedging Reserve" due to changes in fair value of the effective cash flow hedges by reducing it from " Reserves & Surplus"

**9. 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. 279,456,332 (Rs. 107,169,817)

As of 31st March. 2009 future minimum lease payments for non -cancelable operating leases for the next five fiscal years are provided below.

(Rs.)	
31.03.2010	73,583,093
31.03.2011	14,138,823
31.03.2012	14,579,981
31.03.2013	11,419,544
31.03.2014	10,713,536

10. The consolidated financials of the company for the year 2008-09 includes results of Sonata Software FZ LLC for the period from 11th January 2009 to 31st March 2009.

11. There are no Micro, Small and Medium Enterprises, as defined in the Micro, Small, and 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.

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

**As per our Report annexed**

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

**CA. Y N THAKKAR**  
Partner

**For and on behalf of the Board**

**PRADIP P SHAH**  
Chairman

**B RAMASWAMY**  
Managing Director  
& President

**BRIJENDRA K. SYNGAL**  
Director

**PRAVEEN KUMAR D**  
Company Secretary

**S B GHIA**  
Director

**VIREN RAHEJA**  
Director

**P SRIKAR REDDY**  
Executive Vice President  
& Chief Operating Officer

**M D DALAL**  
Executive Vice Chairman

**S N TALWAR**  
Director

**R SATHYANARAYANA**  
AVP - Finance & Accounts

Bangalore 17<sup>th</sup> April, 2009

## Sonata Software Limited - Consolidated Financial Statement

Annexure

### LIST OF RELATED PARTIES & NATURE OF RELATIONSHIP

	List of related parties	Nature of Relationship
<b>S B Ghia Director</b>	Bhupati Investments & Finance Pvt. Ltd.	Significant Influence (through VIPL), Spouse Mrs.R.S.Ghia as Chairperson and brother's wife Mrs.V.D.Ghia as Director
	Chika Pvt. Ltd.	Son Mr.N.S. Ghia as Chairman
	Viraj Investments Pvt. Ltd. (VIPL)	Son as Chairman and Spouse, Brother's wife are Directors
<b>M D Dalal Executive Vice Chairman</b>	Daltreya Investment & Finance Pvt. Ltd.	Spouse & sister are Directors
<b>Viren Raheja Director</b>	Rajan B Raheja	Father
	Suman R Raheja	Mother
	Akshay R Raheja	Brother
	Excelsior Construction Pvt. Ltd.	100% shareholding by Mr.Rajan B Raheja & his family
	Gstaad Investments & Finance Pvt. Ltd.	100% shareholding by Mr.Rajan B Raheja & his family
	Trophy Investments & Finance Pvt. Ltd.	100% shareholding by Mr.Rajan B Raheja & his family
<b>B Ramaswamy President &amp; Managing Director</b>	Sonata Information Technology Ltd.	Director
	TUI InfoTec GmbH, Germany	Member of Supervisory Board
	Sonata Software FZ LLC, Dubai	Director
<b>P Srikar Reddy Executive Vice President &amp; COO</b>	Sonata Information Technology Ltd.	Director
	TUI InfoTec GmbH, Germany	Managing Director
	Sonata Software FZ LLC, Dubai	Director
<b>Subsidiaries</b>	Sonata Information Technology Ltd.	Wholly owned subsidiary of Sonata
	Sonata Software FZ LLC, Dubai	Wholly owned 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

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 31.03.2009	YEAR ENDED 31.03.2008
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
<b>Net Profit before Tax</b>	<b>1,125,986,706</b>	<b>942,169,841</b>
Adjustments for:		
Depreciation	435,018,216	433,514,683
Interest paid	66,942,254	49,589,193
Interest received	(17,469,443)	(143,164,549)
Provision for doubtful debts	14,501,306	15,303,678
Service tax Input written back	(18,347,829)	-
Bad Debts	4,721,060	1,042,731
Provision no longer required	(2,462,458)	(113,232,248)
(Profit)/Loss on sale of Investments	-	(93,198)
(Profit)/Loss on sale of Fixed Assets	646,317	2,408,757
Dividend received	(1,689,680)	(7,781,821)
<b>Operating Profit before Working Capital Changes</b>	<b>1,607,846,449</b>	<b>1,179,757,067</b>
Adjustments for:		
Decrease/(Increase) in Sundry Debtors	(409,809,664)	(461,390,038)
Decrease/(Increase) in Inventories	89,959,978	(88,611,219)
Decrease/(Increase) in Other Current Assets	(7,829,145)	(5,739,450)
Decrease/(Increase) in Loans and Advances	(715,012,002)	(76,279,869)
(Decrease)/Increase in Current Liabilities & Provisions	799,062,184	46,317,566
Decrease/(Increase) in Deferred Tax Asset	28,330,943	(56,178,499)
(Decrease)/Increase in Deferred Tax Liability	(117,186)	555,700
Cash generated from operations	1,392,431,557	538,431,258
Interest paid	(66,942,254)	(49,589,193)
Direct taxes / Advance tax paid	(334,798,975)	(35,562,529)
<b>Net Cash from Operating Activities</b>	<b>(A) 990,690,328</b>	<b>453,279,536</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Dividend received	1,689,680	7,781,821
Interest received	17,469,443	143,164,549
Purchase of Fixed Assets - net	(526,367,948)	(380,124,633)
Sale of Fixed Assets	18,091,726	4,048,608
Investment in Associates	-	470,868
Purchase of Investments	(708,077,755)	(1,773,281,605)
Sale of Investments	862,917,540	1,677,317,361
<b>Net Cash used in Investing Activities</b>	<b>(B) (334,277,314)</b>	<b>(320,623,031)</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Minority Interest	(95,426,253)	(147,604,781)
Proceeds from Long Term Borrowings-Others	(249,695,205)	(297,777,427)
Dividends / Dividend Taxes Paid	(258,365,373)	(135,334,243)
<b>Net cash from Financing Activities</b>	<b>(C) (603,486,831)</b>	<b>(580,716,450)</b>
<b>Net increase/(decrease) in Cash and Cash Equivalents</b>	<b>(A+B+C) 52,926,183</b>	<b>(448,059,945)</b>
<b>Opening Cash and Cash Equivalents</b>	<b>764,441,760</b>	<b>1,212,501,705</b>
<b>Closing Cash and Cash Equivalents</b>	<b>817,367,943</b>	<b>764,441,760</b>

## 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 31.03.2009	YEAR ENDED 31.03.2008
		(Rs.)
Cash on hand & balance with banks	828,044,416	783,913,297
Short Term Investments	-	-
<b>Cash &amp; Cash Equivalents</b>	<b>828,044,416</b>	<b>783,913,297</b>
Effect of exchange rate change	(10,676,473)	(19,471,537)
<b>Cash &amp; Cash Equivalents as restated</b>	<b>817,367,943</b>	<b>764,441,760</b>

2. Direct Tax/Advance tax paid during the period ended 31.03.2009 amounted to Rs.3347.99 Lakhs

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

### As per our Report annexed

#### For N M RAIJI & Co.

Chartered Accountants

#### CA. Y N THAKKAR

Partner

### For and on behalf of the Board

#### PRADIP P SHAH

Chairman

#### S B GHIA

Director

#### M D DALAL

Executive Vice Chairman

#### B RAMASWAMY

Managing Director  
& President

#### VIREN RAHEJA

Director

#### 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

Bangalore 17<sup>th</sup> April, 2009

## Sonata Software Limited - Consolidated Financial Statement

### ADDITIONAL FINANCIAL INFORMATION OF OVERSEAS SUBSIDIARIES :

	Offshore Digital Services Inc. USA	Sonata Software FZ LLC	Sonata Software GmbH, Germany	Sonata Europe Limited, UK	TUI InfoTec GmbH, Germany
	(Amount in USD)	(Amount in USD)	(Amount in Euro)	(Amount in GBP)	(Amount in Euro)
a. Capital					
- Stock holders Equity	300,000	136,129	25,000	671,700	1,000,000
- Preferred Stock	2,500,000	-	-	12,049,100	-
b. Reserves and Surplus	(2,955,858)	30,320	118,191	1,258,016	8,779,615
c. Total Assets	2,382,056	425,883	492,960	13,978,816	39,375,359
d. Total Liabilities	2,382,056	425,883	492,960	13,978,816	39,375,359
e. Details of Investment (except in case of investment in subsidiaries)	-	-	-	-	753,995
f. Turnover	12,694,787	347,399	2,135,119	106,836	111,283,960
g. Profit before Taxation	501,388	30,320	84,110	1,039,932	6,288,705
h. Provision for Taxation	15,821	-	27,052	-	2,039,203
i. Minority Interest	-	-	-	-	70,013
j. Profit after Taxation and Minority Interest	485,567	30,320	57,058	1,039,932	4,179,490
k. Proposed Dividend	-	-	-	-	-

Note : The above information has been furnished as per the requirement of Department of Company Affairs letter

## Sonata Information Technology Limited

### DIRECTORS' REPORT

#### TO THE MEMBERS OF SONATA INFORMATION TECHNOLOGY LIMITED

Your Directors have pleasure in presenting the Ninth Annual Report of your Company along with the audited Statement of Accounts for the year ended 31st March, 2009.

#### FINANCIAL HIGHLIGHTS

(Rs. in million)

Particulars	Year ended 31.03.2009	Year ended 31.03.2008
1. Total Income	6413.07	5957.65
2. Total Expenditure	6260.79	5861.34
3. Profit before Interest, Depreciation & Tax	152.28	96.31
4. Interest	16.03	5.90
5. Depreciation	4.08	4.37
6. Profit after Interest and Depreciation but before Tax	132.17	86.04
7. Provision for Tax	46.65	27.67
8. Profit after Tax	85.52	58.37
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

#### DIVIDEND

Your Directors do not recommend any dividend for the financial year ended 31st March, 2009.

#### BUSINESS REVIEW

##### PRODUCTS

Your Company has increased number of sizeable customers during the year under review for services & product business and has also won awards from various Principals for being a best partner of the year under review. Your Company has consolidated its position in the Indian market and has been rated best in the industry by 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 offer more product services and add more value added products to its portfolio which can give higher returns to your Company.

##### BUSINESS SOLUTIONS GROUP (BSG)

Your Company continued to be a highly acclaimed System

Integrator in India. Recognizing the Company's prowess in Business Applications implementations, the leading ERP provider SAP signed up your Company as its partner for the India geography. With this alliance, your Company now represents in India three world leaders in the ERP/Business Application space namely SAP, Oracle and Microsoft. Your Company continued to make strides in acquiring new customers and enhance relationships and business with its existing customers. Your Company during the year under review, acquired a large Financial Services customer who has retained the Company to implement Oracle Apps ERP across several of its APAC geographies. This multi-year, multi-country roll-out is one of the largest Oracle Apps implementation orders won by your Company.

#### IT CONSULTING

Your Company acquired several new customers for its IT Consulting and Services business. The Portal and Workflow Application services launched by your Company during last year saw an exponential growth in revenues and new customer acquisitions during the year under review. Your Company continued to enjoy the preferred partner status from the Principals for these services.

Detailed management review and performance summary during the year under review on each of the above business heads has been given elsewhere in the Annual Report 2008-09.

#### QUALITY

During the year under review there have been a few additions and changes to the Quality Management System (QMS) of your Company as demanded by the business requirements. The first surveillance audit was duly completed following the re-certification as per ISO 9001:2000 requirements. The external auditors have commended the QMS and its implementation.

#### RECOGNITION

During the year under review, your Company has won Microsoft Gold Partner award FY 2008.

#### 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, 2009 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.3807.27 Mn and foreign exchange inflow on account of software services rendered and Sales of traded products exports was Rs.101.41 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.

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, 2009.

Name	Age (Years)	Qualification	Designation & Nature of Duties	Remuneration (Rs.)	Experience (Years)	Date of Joining	Previous Employment
Sujit Mohanty	42	MA & PGDM	Associate Vice President & Director	3,368,331	20	01.02.1991	Sr. Marketing Executive Academy of Computer Education
Mohan Muthuraj	39	B.Tech, PDGM (IIMB)	Asst. Vice President Marketing	2,701,242	16	05.12.1995	Asst. Manager 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 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, 2009.

**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. Rajji & Co.

**DIRECTORS**

Mr.P.Srikar Reddy, Director retires by rotation at the ensuing Annual General Meeting and being eligible offers himself for re-appointment.

**AUDITORS**

M/s N.M.Rajji & 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.Rajji & Co., as Statutory Auditors of the Company for the financial year 2009-10.

**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 valuable contribution to the Company during the year under review.

For and on behalf of the Board

Place : Bangalore  
 Date : 16<sup>th</sup> April, 2009

**B.RAMASWAMY**  
 Director



## Sonata Information Technology Limited

### MANAGEMENT REVIEW- INDIAN OPERATIONS

#### 1. Revenues

Revenue has been increased by 7.60% to 6390.93 million during the year ended 31st March, 2009.

##### a) Products Business:

Products Business Group constituted 98.30 % of the turnover of Indian Operations. There has been an increase of 8.85 % in the performance during the year ended 31st March, 2009 as compared to the same period in the last year.

##### b) Business Solutions:

Business Solutions Group constituted 1.20 % of the turnover of Indian Operations.

##### c) IT Consulting:

The IT Consulting Group constituted 0.50 % of the turnover of Indian Operations.

#### 2. Operating Expenses

The operating expenses decreased by 1.9 % to Rs.423.22 million for the year ended 31st March, 2009 from Rs. 431.40 million for the same period last year.

#### 3. EBIDT

The operating margin increased by 58.11 % at Rs. 152.28 million for the year ended 31st March 2009 as compared to Rs. 96.32 million for the same period last year.

#### 4. Profit After Tax

Profit after Tax increased by 46.52% at Rs. 85.52 million for the year ended 31st March 2009 as compared to Rs. 58.37 million for the same period last year.

#### 5. Interest and Borrowings

The Interest on borrowings has increased by 171.66 % to Rs. 16.03 million for the year ended 31st March 2009 from Rs. 5.90 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 41.91 % for the year ended 31st March, 2009 as compared to 36.08% for the same period last year.

#### 7. Net Worth

The Return on Average Net Worth (RONW) was at 35.30% for the year ended 31st March 2009 as compared to 32.77% for the same period last year.

#### 8. Receivables

Debtor's number of days' sales was at 69 days for the year ended 31st March 2009 as compared to 57 days for the same period last year.

#### 9. Manpower

The total employee strength as on 31st March 2009 was 148 as compared to 147 as on 31st March 2008.

### PERFORMANCE SUMMARY

#### 1. Revenue

For the year ended 31st March 2009

- Revenue from Products Business was Rs. 6282.42 millions
- Revenue from IT Consulting Business was Rs.32.00 millions
- Revenue from Business Solutions was Rs. 76.51 millions

#### 2. EBIDT

EBIDT for the year ended 31st March 2009 was 2.37 % of Total Income as Compared to 1.62% for the same period last year.

#### 3. Profit After Tax (PAT)

- PAT for the year ended 31st March 2009 was at Rs. 85.52 million as against Rs. 58.37 million for the same period last year.
- Profit Margin at 1.33% as compared to 0.98% for the same period last year.



## Sonata Information Technology Limited (SITL)

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### 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, 2009, 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 2009;
  - 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

**CA. Y N Thakkar**  
Partner

Place : Bangalore  
Date : 16<sup>th</sup> April, 2009

Membership No: 33329

## Sonata Information Technology 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) During the year Company has granted unsecured loan to company listed in the register maintained under section 301 of the Companies Act, 1956.
- | No of Parties | Amount    |
|---------------|-----------|
| 1             | 11 crores |
- (b) The rate of interest and other terms and conditions of the loans given by the Company are prima facie not prejudicial to the interest of the Company.
- (c) The receipt of the principal amount and interest are also regular.
- (d) There is no amount overdue for the principal and interest.
- (e) During the year the Company has taken unsecured loan from company listed in the register maintained under section 301 of the Companies Act, 1956.
- | No of Parties | Amount    |
|---------------|-----------|
| 1             | 12 crores |
- (f) The rate of interest and other terms and conditions of the loans taken by the Company are prima facie not prejudicial to the interest of the Company.
- (g) The payment of the principal amount and interest are also regular.
- (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 Company has not given any guarantee for loans taken by others from banks or financial institutions.
- (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. Rajji & Co.**,  
Chartered Accountants

**CA. Y N Thakkar**  
Partner

Place : Bangalore  
Date : 16<sup>th</sup> April, 2009

Membership No: 33329

## Sonata Information Technology Limited

### BALANCE SHEET AS AT 31<sup>ST</sup> MARCH, 2009

(Rs.)

	SCHEDULE	AS AT 31.03.2009	AS AT 31.03.2008
<b>SOURCES OF FUNDS</b>			
<b>SHAREHOLDERS' FUNDS</b>			
Share Capital	1	33,753,940	33,753,940
Reserves and Surplus	2	<u>251,291,425</u>	<u>165,766,131</u>
		285,045,365	199,520,071
		803,850	1,141,157
<b>DEFERRED TAX LIABILITY</b>			
<b>TOTAL FUNDS EMPLOYED</b>		<u><b>285,849,215</b></u>	<u><b>200,661,228</b></u>
<b>APPLICATION OF FUNDS</b>			
<b>FIXED ASSETS</b>			
Gross Block	3	33,018,624	31,394,411
Less : Depreciation		<u>26,078,139</u>	<u>22,085,276</u>
Net Block		<b>6,940,485</b>	<b>9,309,135</b>
<b>INVESTMENTS</b>	4	-	<b>180,246,449</b>
<b>CURRENT ASSETS, LOANS &amp; ADVANCES</b>			
Inventories	5	28,890,814	104,516,372
Sundry Debtors	6	1,205,226,725	925,774,242
Cash & Bank Balances	7	169,183,809	164,019,417
Other Current Assets	8	10,800,000	4,900,000
Loans and Advances	9	735,045,876	145,288,077
		<u><b>2,149,147,224</b></u>	<u><b>1,344,498,108</b></u>
<b>Less: CURRENT LIABILITIES &amp; PROVISIONS</b>			
Current Liabilities	10	1,869,273,995	1,330,860,814
Provisions	11	<u>964,499</u>	<u>2,531,650</u>
		<u><b>1,870,238,494</b></u>	<u><b>1,333,392,464</b></u>
<b>NET CURRENT ASSETS</b>		<b>278,908,730</b>	<b>11,105,644</b>
<b>TOTAL FUNDS APPLIED</b>		<u><b>285,849,215</b></u>	<u><b>200,661,228</b></u>
<b>NOTES FORMING PART OF ACCOUNTS 17</b>			

As per our Report annexed

For and on behalf of the Board

For N M RAIJI & Co.  
Chartered Accountants

CA.Y N THAKKAR  
Partner

B RAMASWAMY  
Director

P SRIKAR REDDY  
Director

BRIJENDRA K SYNGAL  
Director

SUJIT MOHANTY  
AVP & Director

FEROZA BYRAMJI  
Company Secretary

Bangalore, 16<sup>th</sup> April, 2009

## Sonata Information Technology Limited

### PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2009

(Rs.)

	SCHEDULE	YEAR ENDED 31.03.2009	YEAR ENDED 31.03.2008
<b>INCOME</b>			
Sales and Services (Net)	12	6,390,928,611	5,939,586,383
Other Income	13	22,144,175	18,061,884
<b>Total Income</b>		<b>6,413,072,786</b>	<b>5,957,648,267</b>
<b>EXPENDITURE</b>			
Operating and Other Expenses	14	423,223,953	431,439,860
Purchase of traded items		5,758,975,292	5,524,814,886
Interest	15	16,026,442	5,899,405
Depreciation		4,085,003	4,370,834
Provision for Doubtful Debts		2,963,551	-
		<b>6,205,274,241</b>	<b>5,966,524,985</b>
Add/(Less) : (Increase)/Decrease in Stocks	16	75,625,558	(94,921,884)
		<b>6,280,899,799</b>	<b>5,871,603,101</b>
<b>Profit Before Tax</b>		<b>132,172,987</b>	<b>86,045,166</b>
Provision for Tax (refer schedule 17, note 10)		46,647,693	27,673,320
<b>Profit After Tax</b>		<b>85,525,294</b>	<b>58,371,846</b>
Add : Balance of Profit brought forward from previous year		139,513,071	96,737,544
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
<b>Disposable Surplus</b>		<b>225,038,365</b>	<b>139,513,071</b>
<b>Balance carried to Balance Sheet</b>		<b>225,038,365</b>	<b>139,513,071</b>
<b>NOTES FORMING PART OF ACCOUNTS</b>	17		
<b>EPS - Basic</b> (on Re. 10/- per share)		<b>25.34</b>	<b>14.48</b>
<b>EPS - Diluted</b> (on Re. 10/- per share)		<b>25.34</b>	<b>14.48</b>

As per our Report annexed

For and on behalf of the Board

For N M RAIJI & Co.  
Chartered Accountants

CA.Y N THAKKAR  
Partner

B RAMASWAMY  
Director

P SRIKAR REDDY  
Director

BRIJENDRA K SYNGAL  
Director

SUJIT MOHANTY  
AVP & Director

FEROZA BYRAMJI  
Company Secretary

Bangalore, 16<sup>th</sup> April, 2009

## Sonata Information Technology Limited

### SCHEDULES ATTACHED TO AND FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2009

(Rs.)

	AS AT 31.03.2009	AS AT 31.03.2008
<b>SCHEDULE 1 : SHARE CAPITAL</b>		
<b>Authorised :</b>		
10,000,000 Equity Shares of Rs.10/- each (Previous year 10,000,000 Equity Shares of Rs.10/- each)	<u>100,000,000</u>	<u>100,000,000</u>
<b>Issued :</b>		
6,000,700 Equity Shares of Rs.10/- each (Previous year 6,000,700 Equity Shares of Rs.10/- each)	<u>60,007,000</u>	<u>60,007,000</u>
<b>Subscribed and Paid-Up :</b>		
Opening balance	33,753,940	45,005,250
3,375,394 Equity Shares of Rs.10/- each (Previous year 4,500,525 Equity Shares of Rs.10/ each)		
Less: Buy back of Shares (Previous year 11,251,300)	<u>-</u>	<u>11,251,310</u>
Closing balance	<u>33,753,940</u>	<u>33,753,940</u>
3,375,394 Equity Shares of Rs.10/- each (Held by Holding company - Sonata Software Limited) (Previous year 3,375,394 Equity Shares of Rs.10/ each)		
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. (Previous year 3,374,694 Equity Shares)		
<b>SCHEDULE 2 : RESERVES AND SURPLUS</b>		
<b>Capital Redemption Reserve*</b>		
Opening balance	26,253,060	15,001,750
Add: During the year	<u>-</u>	<u>11,251,310</u>
	<u>26,253,060</u>	<u>26,253,060</u>
Profit and Loss Account	<u>225,038,365</u>	<u>139,513,071</u>
	<u>251,291,425</u>	<u>165,766,131</u>

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

### SCHEDULE 3 : FIXED ASSETS

Assets	Gross Block				Depreciation				Net Block as at 31.03.2009
	Cost as at 01.04.2008	Additions	Deductions/ Adjustments	Cost as at 31.03.2009	As at 01.04.2008	For the Year	Deductions/ Adjustments	As at 31.03.2009	
<b>Leasehold Improvements</b>	<b>3,404,592</b> (3,404,592)	<b>421,598</b> (-)	- (-)	<b>3,826,190</b> (3,404,592)	<b>2,215,755</b> (1,606,150)	<b>281,398</b> (609,605)	- (-)	<b>2,497,153</b> (2,215,755)	<b>1,329,037</b> (1,188,837)
<b>Plant &amp; Machinery</b>	<b>23,309,577</b> (17,328,856)	<b>212,004</b> (6,347,280)	<b>192,330</b> (366,559)	<b>23,329,251</b> (23,309,577)	<b>16,584,150</b> (13,451,220)	<b>3,373,227</b> (3,499,479)	<b>43,907</b> (366,549)	<b>19,913,470</b> (16,584,150)	<b>3,415,781</b> (6,725,427)
<b>Furniture &amp; Fixtures</b>	<b>2,730,564</b> (2,730,564)	<b>777,720</b> (-)	- (-)	<b>3,508,284</b> (2,730,564)	<b>2,106,002</b> (1,968,061)	<b>296,688</b> (137,941)	- (-)	<b>2,402,690</b> (2,106,002)	<b>1,105,594</b> (624,562)
<b>Motor Car &amp; Vehicles</b>	<b>2</b> (2)	- (-)	- (-)	<b>2</b> (2)	<b>1</b> (1)	- (-)	- (-)	<b>1</b> (1)	<b>1</b> (1)
<b>Air Conditioners &amp; Other Equipments</b>	<b>1,949,676</b> (1,925,776)	<b>472,722</b> (23,900)	<b>67,501</b> (-)	<b>2,354,897</b> (1,949,676)	<b>1,179,368</b> (1,055,559)	<b>133,690</b> (123,809)	<b>48,233</b> (-)	<b>1,264,825</b> (1,179,368)	<b>1,090,072</b> (770,308)
<b>TOTAL</b>	<b>31,394,411</b> (25,389,790)	<b>1,884,044</b> (6,371,180)	<b>259,831</b> (366,559)	<b>33,018,624</b> (31,394,411)	<b>22,085,276</b> (18,080,991)	<b>4,085,003</b> (4,370,834)	<b>92,140</b> (366,549)	<b>26,078,139</b> (22,085,276)	<b>6,940,485</b> (9,309,135)

Notes:

- Figures in brackets pertain to previous year ended 31<sup>st</sup> March, 2008.
- Plant and Machinery includes Computer and Software.

## Sonata Information Technology Limited

Schedules (Contd.)

	(Rs.)	
	AS AT 31.03.2009	AS AT 31.03.2008
<b>SCHEDULE 4 : INVESTMENTS</b>		
<b>SHORT TERM UNITS (QUOTED)</b>		
Standard Chartered Mutual Fund (Previous year 8,006,485.5740 units at Rs 10.0055 per unit)	-	80,108,891
Birla Sun Life Liquid Plus (Previous year 10,006,591.0560 units at Rs 10.0068 per unit)	-	100,137,558
	<u>-</u>	<u>180,246,449</u>
<b>SCHEDULE 5 : INVENTORIES</b>		
Finished Products	<u>28,890,814</u>	<u>104,516,372</u>
<b>SCHEDULE 6 : SUNDRY DEBTORS</b>		
<b>Unsecured</b>		
Debts outstanding for a period exceeding six months		
Considered Good	95,310,166	40,132,642
Considered Doubtful	<u>2,963,551</u>	<u>-</u>
	98,273,717	40,132,642
Other debts : Considered Good	1,109,916,559	885,641,600
	<u>1,208,190,276</u>	<u>925,774,242</u>
Less: Provision for Doubtful Debts	2,963,551	-
	<u>1,205,226,725</u>	<u>925,774,242</u>
<b>SCHEDULE 7 : CASH AND BANK BALANCES</b>		
Cash on hand	908	162,950
Balances with Scheduled Banks		
In Current Accounts	169,182,901	43,856,467
In Deposit Accounts	-	120,000,000
	<u>169,183,809</u>	<u>164,019,417</u>
<b>SCHEDULE 8 : OTHER CURRENT ASSETS</b>		
Income Accrued but not due	<u>10,800,000</u>	<u>4,900,000</u>
<b>SCHEDULE 9 : LOANS AND ADVANCES</b>		
<b>Unsecured</b>		
(Considered good, unless otherwise stated)		
Loans / Advance to Employees	10,000	4,508
Advances recoverable in cash or in kind or for value to be received :		
Balance with Customs Authorities	231,915,754	26,631,267
Advance payment of tax (net of provisions)	175,000,000	-
	<u>328,120,122</u>	<u>118,652,302</u>
	<u>735,045,876</u>	<u>145,288,077</u>
<b>SCHEDULE 10 : CURRENT LIABILITIES</b>		
<b>Sundry Creditors</b>		
Micro and Small Enterprises	-	-
Others	<u>1,493,501,836</u>	<u>810,051,803</u>
	1,493,501,836	810,051,803
Due to Holding company	5,937,240	9,404,665
Other Liabilities	369,834,919	511,404,346
	<u>1,869,273,995</u>	<u>1,330,860,814</u>
<b>SCHEDULE 11 : PROVISIONS</b>		
Compensated Absence	964,499	768,148
Gratuity	-	1,763,502
	<u>964,499</u>	<u>2,531,650</u>

## Sonata Information Technology Limited

Schedules (Contd.)

	(Rs.)	
	<b>YEAR ENDED 31.03.2009</b>	<b>YEAR ENDED 31.03.2008</b>
<b>SCHEDULE 12 : SALES AND SERVICES (NET)</b>		
Sales	6,203,358,643	5,841,848,925
Services	187,569,968	97,737,458
	<b><u>6,390,928,611</u></b>	<b><u>5,939,586,383</u></b>
<b>SCHEDULE 13 : OTHER INCOME</b>		
Interest received	5,180,337	971,488
(Tax Deducted at Source is Rs. 293,157 Previous year Rs. 153,253)		
Foreign Exchange Variation (net)	-	8,974,248
Excess provision no longer required	-	1,782,999
Service tax Input written back	13,366,903	-
Profit on sale of Investments	-	54,034
Profit on sale of Fixed Assets (Net)	-	9,990
Dividend received	1,078,787	4,867,136
Miscellaneous Income	2,518,148	1,401,989
	<b><u>22,144,175</u></b>	<b><u>18,061,884</u></b>
<b>SCHEDULE 14 : OPERATING AND OTHER EXPENSES</b>		
Salaries, Wages, Bonus and Allowances (Including Directors' remuneration)	190,664,181	161,857,276
Contribution to Provident Fund and other Funds	5,012,194	7,283,966
Staff Welfare Expenses	455,656	503,033
	<b><u>196,132,031</u></b>	<b><u>169,644,275</u></b>
Power and Fuel	659,947	920,534
Rent	10,933,796	9,812,622
Rates & Taxes	1,450,205	19,084,422
Insurance	356,116	481,492
Repairs to :		
Plant and Machinery	52,017	452,536
Others	3,982,828	3,397,672
	<b><u>4,034,845</u></b>	<b><u>3,850,208</u></b>
Travelling and Conveyance Expenses	8,552,049	9,727,882
Legal, Professional and Technical Fees	11,773,860	8,535,796
Communication Cost	6,615,397	4,061,277
Auditor's Remuneration :		
Audit Fees	400,000	400,000
Certification fees	100,000	100,000
Out of pocket expenses	-	15,300
	<b><u>500,000</u></b>	<b><u>515,300</u></b>
Royalty	571,630	2,986,275
Commission on Sales	9,240,226	12,174,150
Miscellaneous Expenses	10,283,516	39,789,289
Foreign exchange variation (net)	1,006,576	-
Loss on fixed assets discarded	39,560	-
Service charges paid to Holding Company	161,074,199	149,856,338
	<b><u>423,223,953</u></b>	<b><u>431,439,860</u></b>
<b>SCHEDULE 15 : INTEREST</b>		
Interest	16,026,442	5,899,405
<b>SCHEDULE 16 : (INCREASE)/DECREASE IN STOCKS</b>		
<b>Opening Stock</b>		
Finished Products	104,516,372	9,594,488
	<b><u>104,516,372</u></b>	<b><u>9,594,488</u></b>
<b>Closing Stock</b>		
Finished Products	28,890,814	104,516,372
	<b><u>28,890,814</u></b>	<b><u>104,516,372</u></b>
<b>(Increase)/Decrease in Stocks</b>	<b><u>75,625,558</u></b>	<b><u>(94,921,884)</u></b>

**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 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**

	<u>Sch. XIV Rate</u>	<u>Rate Adopted</u>
Computers & Software	16.21%	33.33 %

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

**b) INVENTORIES**

Finished goods are valued at lower of cost (weighted average) or net realizable value.

Software products developed/under development are stated at cost. Software development cost incurred on products ready for marketing are amortized 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 are recognized on dispatch 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 realization 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) DERIVATIVE INSTRUMENTS AND HEDGE ACCOUNTING**

The Company has adopted Accounting Standard 30 (AS 30) "Financial Instruments: Recognition and Measurement" for the year. Based on the Recognition and Measurement principles set out in the AS 30, changes in the fair values of derivative financial instruments designated as effective cash flow hedges are recognized as "Hedging Reserve" directly in the Balance Sheet under Reserves & Surplus and later reclassified into Profit and Loss account upon the occurrence of the hedged transaction. Changes in the fair value of ineffective cash flow hedges are recognized in the Profit & Loss account as they arise.

**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 trust. 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.Nil).**

This amount excludes :

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 and Rs.Nil (Rs.923,214,674) being the tax liability on account of consequential disallowance of payments for purchase of software based on legal opinion obtain from a Senior Counsel.

**3. Estimated amount of contracts remaining to be executed and not provided (net of advances) Rs. Nil (Rs135,200)**

**4. Remuneration and perquisites to Director**

	<u>31.03.2009</u>	<u>31.03.2008</u>
Salary	3,125,443	3,010,075
Contribution to PF & Superannuation Fund	209,920	198,256
Reimbursement of Medical Expenses and Education Expenses	27,000	27,000
Other Perquisites as calculated under IT Act, 1961	5,968	5,968
	<u>3,368,331</u>	<u>3,241,299</u>

**5. Value of Imports calculated calculated on CIF basis**

Traded Goods	<u>3,803,938,488</u>	<u>3,281,063,534</u>
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	<u>31.03.2009</u>	<u>31.03.2008</u>
6. Expenditure incurred in Foreign Currency on account of		
Travelling	2,761,682	1,467,788
Royalty	571,630	2,986,275
	<u>3,333,312</u>	<u>4,454,063</u>
7. Earnings in Foreign Exchange		
Software services rendered	7,777,903	6,214,040
Sales Traded Products	93,631,606	26,666,003
	<u>101,409,509</u>	<u>32,880,043</u>

8. Income from sales & Services includes loss on account of exchange fluctuation of Rs 16,209,017 for the Current year ended 31st March 2009 and gain of Rs.260,689 for previous year ended 31st March 2008.

**9. Quantity and Value Particulars of Trading Activities for the Year ended 31<sup>st</sup> March, 2009**

Particulars	Opening Stock		Purchases		Sales		Closing Stock	
	Qty	Value (Rs.)	Qty	Value (Rs.)	Qty	Value (Rs.)	Qty	Value (Rs.)
Computer Software Packages	19,444 (2,985)	104,516,372 (9,594,488)	4,495,036 (1,333,278)	5,758,975,292 (5,524,814,886)	4,496,368 (1,316,819)	6,203,358,643 (5,841,848,925)	18,112 (19,444)	28,890,814 (104,516,372)

10. Provision for taxation for the year ended 31st March, 2009 consists of following:

	(Rs.)
Income Tax	45,905,000 (25,963,768)
Deferred Taxes: DTL	- 337,307 (555,700)
Fringe Benefit Tax	1,080,000 (1,153,852)
<b>Total</b>	<b>46,647,693</b> <b>(27,673,320)</b>

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

	DTA	DTL	Net DTA/DTL
Depreciation	-	803,850	-803,850
	(-)	(1,141,157)	(-1,141,157)
Others	-	-	-
	(-)	(-)	(-)
<b>Total</b>	<b>-</b>	<b>803,850</b>	<b>-803,850</b>
	(-)	(1,141,157)	(-1,141,157)

12. The working capital facility of the Company is secured by pari passu first charge by way of hypothecation of current assets, inventories and book debts both present and future.

**13. NOTE ON AS 30 ADOPTION:**

Accounting Standard 30, (AS 30) Financial Instruments: Recognition and Measurement was issued by the Institute of Chartered Accountants of India (ICAI) in December 2007. AS 30 becomes recommendatory in respect of accounting periods commencing on or after April 1, 2009 and mandatory in respect of accounting periods commencing on or after April 1, 2011. ICAI has announced that the earlier adoption of AS 30 is encouraged.

For the accounting year 2008-09, the Company has early adopted Accounting Standard 30 (AS 30) "Financial Instruments: Recognition and Measurement".

For the year 2008-09 the Company applied the recognition and measurement principles as set out in AS 30 in accounting derivatives. Changes in fair values of derivative financial instruments designated as effective cash flow hedges were recognized directly into Hedging Reserve in the Balance Sheet under Reserves and Surplus and reclassified into Profit and Loss account upon the occurrence of the hedged transaction.

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

**15. Related Party Transactions**

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

**Remuneration of Director** (Rs.)

Name	Salary
Sujit Mohanty	3,368,331 (3,241,299)

**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 normal business transactions with SSL, as given below:

Particulars	Balance as on 01.04.08	Transactions during the year	Amount paid/received during the year	Balance as on 31.03.09
Sales	- (-)	9,174,330 (10,230,476)	9,174,330 (10,230,476)	- (-)
Deputation Expenses	- (-)	109,584,867 (100,295,870)	107,905,311 (100,295,870)	1,679,556 (-)
Service Charges	6,841,231 (17,317,236)	161,074,199 (149,856,338)	167,915,430 (160,332,343)	- (6,841,231)
Inter Corporate Deposit given	- (-)	110,000,000 (-)	110,000,000 (-)	- (-)
Interest on Inter Corporate Deposit given	- (-)	554,063 (-)	554,063 (-)	- (-)
Inter Corporate Loan taken	- (-)	120,000,000 (-)	120,000,000 (-)	- (-)
Interest on Inter Corporate Loan taken	- (-)	357,945 (-)	357,945 (-)	- (-)
Others	2,563,434 (-)	3,400,980 (2,563,434)	1,706,730 (-)	4,257,684 (2,563,434)
<b>Total</b>	<b>9,404,665</b> (17,317,236)	<b>514,146,384</b> (262,946,118)	<b>517,613,809</b> (270,858,689)	<b>5,937,240</b> (9,404,665)

**16. Employee Benefits : Gratuity**

(a) Defined benefit plan (Funded) - Gratuity As per actuarial valuation as on March 31, 2009.

(Rs.)

	2009	2008
<b>I Change in Obligation during the year ended March 31, 2009</b>		
1 Present value of Defined Benefit Obligation at beginning of the year	6,154,703	5,175,848
2 Current Service Cost	793,546	646,457
3 Interest Cost	535,118	431,194
4 Actuarial (Gains)/Losses	(306,302)	765,968
5 Benefits Paid	(518,545)	(864,764)
6 Present value of Defined Benefit Obligation at the end of the year	6,658,520	6,154,703
<b>II Change in Assets during the year ended March 31, 2009</b>		
1 Plan assets at the beginning of the year	4,391,201	1,424,084
2 Expected return on plan assets	682,751	414,670
3 Contributions by Employer	4,402,461	4,191,675
4 Actual benefits paid	(518,545)	(864,764)
5 Actuarial Gains / (Losses)	(833,217)	(774,464)
6 Plan Assets at the end of the year	8,124,651	4,391,201
<b>III Net Asset/(Liability) recognised in the Balance Sheet as at March 31, 2009</b>		
1 Present Value of defined Benefit Obligation	6,658,520	6,154,703
2 Fair value of plan assets	8,124,651	4,391,201
3 Fund status Surplus/(Deficit)	1,466,131	(1,763,502)
4 Net Assets / (Liability)	1,466,131	(1,763,502)
<b>IV Expenses recognised in the statement of Profit &amp; Loss for the year ended March 31, 2009</b>		
1 Current Service Cost	793,546	646,457
2 Interest Cost	535,118	431,194
3 Expected return on plan assets	(682,751)	(414,670)
4 Net Actuarial (Gains)/Losses	526,915	1,540,432
5 Total Expenses	1,172,828	2,203,413
<b>V The major categories of plan assets as a percentage of total plan</b>		
Insurer Managed Funds	100%	100%
<b>VI Actuarial Assumptions:</b>		
1 Discount Rate	7.50%	8%
2 Expected rate of return on plan assets	8%	8%
3 Mortality Table	LIC (1994-96) Ultimate	LIC (1994-96) Ultimate
4 Retirement Age	58 or 60 years as applicable	58 or 60 years as applicable

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 fund 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.
- (f) Estimated Contribution for the next year on account of gratuity Rs Nil (Rs 758,296)
- (g) Contribution/Provisions to superannuation and other funds stated under defined contribution plan is Rs.12, 02,340 (Rs.11, 29,228)

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 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) hence information not furnished.

- (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.

17. 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.

**18. Operating Leases**

The Company has various operating leases for office facilities and residential premises for employees that are renewable on a periodic basis, and cancelable at its option. Rental expenses for operating leases included in the Income statements for the period Rs.9,952,210 (Rs.8,760,511).

As of 31st March, 2009 future minimum lease payments for non-cancelable operating leases for the next five fiscal years are provided below.

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

Present value of Defined benefit obligation	6,658,520 (6,154,703)
Fair Value of Plan Assets	8,124,651 (4,391,201)
Surplus / (deficit)	1,466,131 (-1,763,502)

**For the year ending**

	(Rs.)
31.03.2010	5,061,324
31.03.2011	5,413,150
31.03.2012	5,640,509
31.03.2013	5,087,418
31.03.2014	4,381,410

**As per our Report annexed**

**For and on behalf of the Board**

**For N M RAJI & Co.**

Chartered Accountants

**CA.Y N THAKKAR**

Partner

**B. RAMASWAMY**

Director

**P. SRIKAR REDDY**

Director

**BRIJENDRA K. SYNGAL**

Director

**SUJIT MOHANTY**

AVP & Director

**FEROZA BYRAMJI**

Company Secretary

Bangalore 16<sup>th</sup> April, 2009

**LIST OF RELATED PARTIES & NATURE OF RELATIONSHIP**

	<b>List of related parties</b>	<b>Nature of Relationship</b>
<b>S B Ghia</b> <b>Director of Sonata Software Ltd.</b>	Bhupati Investments & Finance Pvt. Ltd.	Significant Influence (through VIPL), Spouse Mrs.R.S.Ghia as Chairperson and brother's wife Mrs.V.D.Ghia as Director
	Chika Pvt. Ltd.	Son Mr.N.S. Ghia as Chairman
	Viraj Investments Pvt. Ltd. (VIPL)	Son as Chairman and Spouse, Brother's wife are Directors
<b>M D Dalal, Executive Vice Chairman of Sonata Software Ltd.</b>	Daltreya Investment & Finance Pvt. Ltd.	Spouse & sister are Directors
<b>Viren Raheja</b> <b>Director of Sonata Software Ltd.</b>	Rajan B Raheja	Father
	Suman R Raheja	Mother
	Akshay R Raheja	Brother
	Excelsior Construction Pvt. Ltd.	100% shareholding by Mr.Rajan B Raheja & his family
	Gstaad Investments & Finance Pvt. Ltd.	100% shareholding by Mr.Rajan B Raheja & his family
	Trophy Investments & Finance Pvt. Ltd.	100% shareholding by Mr.Rajan B Raheja & his family
<b>B Ramaswamy</b> <b>Director of SITL</b>	Sonata Software Ltd.	President & Managing Director
	TUI InfoTec GmbH, Germany	Member of Supervisory Board
	Sonata Software FZ LLC, Dubai	Director
<b>P Srikar Reddy</b> <b>Director of SITL</b>	Sonata Software Ltd.	Executive Vice President & COO
	TUI InfoTec GmbH, Germany	Managing Director
	Sonata Software FZ LLC, Dubai	Director
<b>Sujit Mohanty</b>		Director of SITL
<b>Sonata Software Ltd</b>		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	31.03.2009		

#### 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.)

<b>Total Liabilities</b>	<b>285,849,215</b>	<b>Total Assets</b>	<b>285,849,215</b>
<b>Sources of Funds</b>			
Paid Up Capital	33,753,940	Reserves & Surplus	251,291,425
Secured Loans	NIL	Unsecured Loans	
Deferred Tax Liability	803,850		
<b>Application of Funds</b>			
Net Fixed Assets	6,940,485	Investments	NIL
Net Current Asset	278,908,730	Deferred Tax Asset	NIL
Accumulated Losses	NIL	Misc. Expenditure	NIL

#### IV Performance of Company (Rs.)

Turnover	6,413,072,786	Total Expenditure	6,280,899,799
Profit Before Tax	132,172,987	Profit After Tax	85,525,294
Earning Per Share	25.34	Dividend Rate	NIL

#### V Generic Names of Principal Products of the Company

Item Code No. (ITCCode)	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

CA.Y N THAKKAR  
Partner

B RAMASWAMY  
Director

P SRIKAR REDDY  
Director

BRIJENDRA K SYNGAL  
Director

SUJIT MOHANTY  
AVP & Director

FEROZA BYRAMJI  
Company Secretary

Bangalore, 16<sup>th</sup>April, 2009

## Sonata Information Technology Limited

### CASH FLOW STATEMENT

(Rs.)

	YEAR ENDED 31.03.2009	YEAR ENDED 31.03.2008
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
<b>Net Profit before Tax</b>	<b>132,172,987</b>	<b>86,045,166</b>
Adjustments for:		
Depreciation	4,085,003	4,370,834
Interest paid	16,026,442	5,899,405
Interest received	(5,180,337)	(971,488)
Provision for Doubtful Debts	2,963,551	-
Provision no longer required	-	(1,782,999)
Service tax Input written back	(13,366,903)	-
(Profit)/Loss on sale of Fixed Assets	39,560	(9,990)
Dividend received	(1,078,787)	(4,867,136)
Profit on sale of Investments	-	(54,034)
<b>Operating Profit before Working Capital Changes</b>	<b>135,661,516</b>	<b>88,629,758</b>
Adjustments for:		
Decrease/(Increase) in Sundry Debtors	(282,416,034)	(48,568,220)
Decrease/(Increase) in Inventories	75,625,558	(94,921,884)
Decrease/(Increase) in Other Current Assets	(5,900,000)	5,400,000
Decrease/(Increase) in Loans and Advances	(635,066,491)	(125,546,650)
(Decrease)/Increase in Current Liabilities & Provisions	550,212,933	304,611,731
(Decrease)/Increase in Deferred Tax Liability	(337,307)	555,700
Cash generated from operations	<b>(162,219,825)</b>	<b>130,160,435</b>
Interest paid	(16,026,442)	(5,899,405)
Direct taxes / Advance tax paid	(1,339,000)	(1,102,062)
<b>Net Cash from Operating Activities</b>	<b>(A) (179,585,267)</b>	<b>123,158,968</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Dividend received	1,078,787	4,867,136
Interest received	5,180,337	971,488
Purchase of Fixed Assets	(1,884,044)	(6,371,180)
Sale of Fixed Assets	128,130	10,000
Sale of Investments	591,325,237	1,108,766,453
Purchase of Investments	(411,078,788)	(1,188,828,125)
<b>Net Cash used in Investing Activities</b>	<b>(B) 184,749,659</b>	<b>(80,584,228)</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Payment towards buy back of Shares	-	(11,251,310)
<b>Net cash from Financing Activities</b>	<b>(C) -</b>	<b>(11,251,310)</b>
<b>Net increase/(decrease) in Cash and Cash Equivalents</b>	<b>(A+B+C) 5,164,392</b>	<b>31,323,430</b>
<b>Opening Cash and Cash Equivalents</b>	<b>164,019,417</b>	<b>132,695,987</b>
<b>Closing Cash and Cash Equivalents</b>	<b>169,183,809</b>	<b>164,019,417</b>

## 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 31.03.2009	YEAR ENDED 31.03.2008
Cash on hand and balance with banks	173,281,166	164,276,387
<b>Cash and Cash Equivalents</b>	<b>173,281,166</b>	<b>164,276,387</b>
Effect of exchange rate change	(4,097,357)	(256,970)
<b>Cash and Cash Equivalents as restated</b>	<b>169,183,809</b>	<b>164,019,417</b>

(Rs.)

2. Direct taxes / Advance tax paid during the period ended 31.03.2009 amounted to Rs. 13.39 lacs.  
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

CA.Y N THAKKAR  
Partner

B RAMASWAMY  
Director

P SRIKAR REDDY  
Director

BRIJENDRA K SYNGAL  
Director

SUJIT MOHANTY  
AVP & Director

FEROZA BYRAMJI  
Company Secretary

Bangalore, 16<sup>th</sup>April, 2009

## 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  
1<sup>st</sup> Cross, J.C.Road  
Bangalore - 560 027.

#### 2. Listing Fees

Paid for all the above stock exchanges for FY 2008-09

#### 3. Stock Code

532221 (BSE)  
Sonatsoftw (NSE)

#### 4. Book Closure period

1<sup>st</sup> June to 5<sup>th</sup> June, 2009(both days inclusive)

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

5<sup>th</sup> June, 2009 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

1<sup>st</sup> April, 2008 to 31<sup>st</sup> March, 2009

#### 7. Dividend Payout date

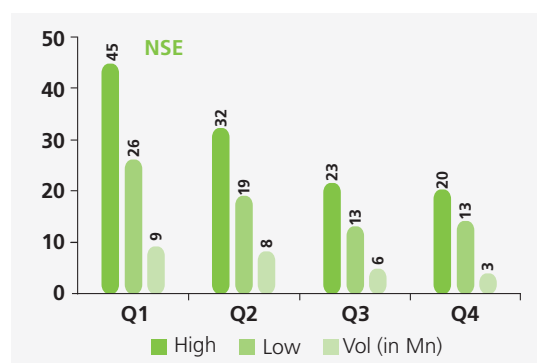
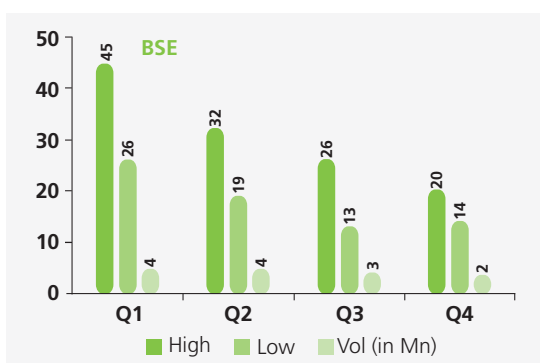
Not applicable since final dividend is not recommended by the Board

#### 8. Stock Market Data

Quarterly high and low quotations and total volume of shares (approx) traded at BSE & NSE during Financial Year 2008-09 :

Quarter ended	BSE			NSE		
	High (Rs.)	Low (Rs.)	Volume (in Min)	High (Rs.)	Low (Rs.)	Volume (in Min)
30th June, 2008 (Q1)	45	26	4	45	26	9
30th Sept, 2008 (Q2)	32	19	4	32	19	8
31st Dec, 2008 (Q3)	26	13	3	23	13	6
31st March, 2009 (Q4)	20	14	2	20	13	3

Note : The share prices have been rounded off.



<b>9. Market Capitalisation as on 31.03.2009</b>	:	Rs.168 Crores (as per closing price in BSE)
<b>10. No. of Employees as on 31.03.2009</b>	:	2034
<b>11. No. of Shareholders as on 31.03.2009</b>	:	40966
<b>12. No of shares traded during 2008-09</b>	:	BSE - 129 Lacs (approx) NSE - 262 Lacs (approx)
<b>13. Communication regarding share transfers, share certificates, dividends, and change of address etc may be addressed to :</b>		Karvy Computershare Private Ltd. Registrars & Share Transfer Agents, Plot No.17 to 24, Vittal Rao Nagar Madhapur Hyderabad - 500 081. Tel : (040) 23420816 Fax : (040) 23420814 Email : einward.ris@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 31<sup>st</sup> March 2009 :

Transfer Period (Days)	No. of transferees (Folios)	No of shares	%
1-10	26	359025	100.00
Above 11	-	-	-
<b>Total</b>	<b>26</b>	<b>359025</b>	<b>100.00</b>

**15. Monthly Transfers during FY 2008-09 :**

Month	No. of shares	%
April'08	7500	2.09
May'08	61875	17.22
June'08	1000	0.28
July'08	3300	0.92
August'08	9375	2.61
September'08	28125	7.83
October'08	35225	9.81
November'08	200000	55.71
December'08	11625	3.24
January'09	1000	0.28
February'09	-	-
March'09	-	-
<b>Total</b>	<b>359025</b>	<b>100.00</b>

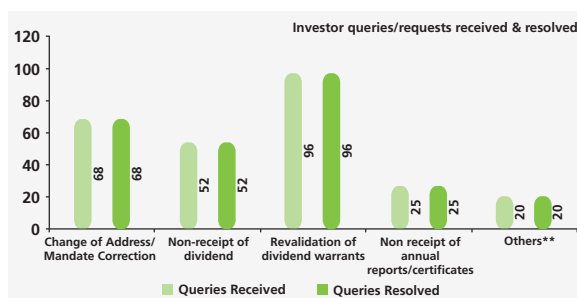
**16. Shares dematted during FY 2008-09 :**

Month	No. of requests	No. of shares
April'08	34	122125
May'08	18	52850
June'08	14	33950
July'08	7	12625
August'08	4	16425
September'08	4	4250
October'08	1	1000
November'08	5	11000
December'08	3	78875
January'09	7	42125
February'09	4	14300
March'09	20	99450
<b>Total</b>	<b>121</b>	<b>488975</b>

17. Investors' Services :

Queries/Requests received during the year ended 31st March, 2009, most of which were attended to within 7 days from date of receipt

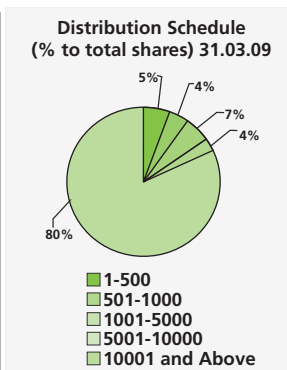
Nature of Queries/Requests	Received	Cleared
Change of Address / Mandate Correction	68	68
Non-receipt of dividend	52	52
Revalidation of dividend warrants	96	96
Non receipt of annual reports/certificates	25	25
Others **	20	20
<b>TOTAL</b>	<b>261</b>	<b>261</b>



\*\* Queries in respect of the following :  
Split of Share Certificates, ECS facility, etc.,

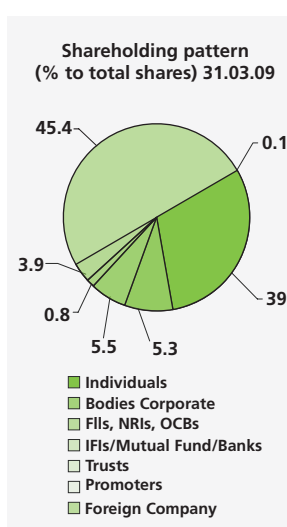
18. Distribution Schedule :

Category	31.03.2009				31.03.2008			
	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	31992	78	5537807	5	29919	79	5080272	5
501-1000	4667	12	4127932	4	4135	11	3684863	4
1001-5000	3333	8	7680052	7	2813	8	6591284	6
5001-10000	488	1	3639880	4	404	1	3070004	3
10001 and Above	486	1	84173635	80	432	1	86732883	82
<b>Total</b>	<b>40966</b>	<b>100</b>	<b>105159306</b>	<b>100</b>	<b>37703</b>	<b>100</b>	<b>105159306</b>	<b>100</b>



19. Shareholding Pattern :

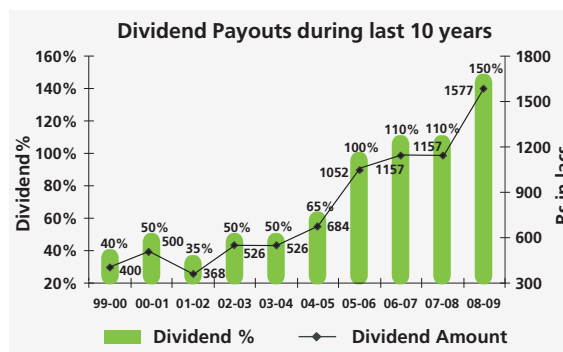
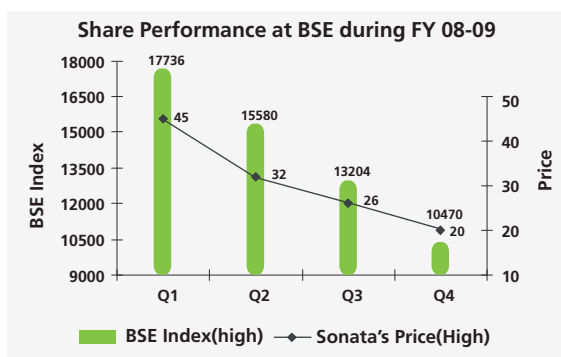
Category	31.03.2009				31.03.2008			
	No. of share holders	% to total holders	No. of shares	% to total shares	No. of share holders	% to total holders	No. of shares	% to total shares
Individuals	39550	96.54	41060235	39.0	36259	96.17	31646768	30.1
Bodies Corporate	768	1.87	5567119	5.3	819	2.17	9093430	8.6
FIs, NRIs, OCBs	556	1.36	5773766	5.5	492	1.31	6286414	6.0
IFIs/Mutual Funds/Banks	5	0.01	821927	0.8	6	0.02	847054	0.8
Trusts	7	0.02	4065752	3.9	5	0.01	4179496	4.0
Promoters	24	0.06	47747850	45.4	25	0.07	47747850	45.4
Foreign Company	-	-	-	-	1	-	5150506	4.9
Clearing members	56	0.14	122657	0.1	96	0.25	207788	0.2
<b>Total</b>	<b>40966</b>	<b>100</b>	<b>105159306</b>	<b>100</b>	<b>37703</b>	<b>100</b>	<b>105159306</b>	<b>100</b>



20. Shares held in Physical & Electronic form :

Particulars	31.03.2009		31.03.2008	
	No. of shares	% of holding	No. of shares	% of holding
Physical	5667519	5.39	6155494	5.85
Electronic	99491787	94.61	99003812	94.15
<b>Total</b>	<b>105159306</b>	<b>100.00</b>	<b>105159306</b>	<b>100.00</b>

21. Share Performance & Dividend Payouts :



22. Financial calendar (subject to change) :

Annual General Meeting for the year ended March 31, 2009	5 <sup>th</sup> June, 2009
Financial results for the first quarter ended June 30, 2009	July, 2009
Financial results for the second quarter ended September 30, 2009	Oct, 2009
Financial results for the third quarter ended December 31, 2009	Jan, 2010
Financial results for the year ending March 31, 2010	Apr, 2010
Annual General Meeting for the year ending March 31, 2010	June, 2010

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 Private Ltd.  
 Registrars & Share Transfer Agents,  
 Plot No.17 to 24, Vittal Rao Nagar  
 Madhapur  
 Hyderabad - 500 081.  
 Tel : (040) 23420816  
 Fax : (040) 23420814  
 Email : einward.ris@karvy.com

24. Website address of the Company on the internet :

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



# **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 sheets of Offshore Digital Services, Inc. as of March 31, 2009 and 2008, and the related statements of income and accumulated deficit 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 March 31, 2009 and 2008, 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**

6<sup>th</sup> April, 2009

### BALANCE SHEET AS AT 31<sup>ST</sup> MARCH, 2009

US\$

	AS AT 31.03.2009	AS AT 31.03.2008
<b>Assets</b>		
<b>Current Assets</b>		
Cash and Cash Equivalents	497,437	253,368
Accounts Receivable, Net of Allowance of \$30,000 (2008 - \$15,000)	1,793,483	2,287,622
Prepaid Expenses	53,986	43,891
<b>Total Current Assets</b>	<b>2,344,906</b>	<b>2,584,881</b>
Property and Equipment, at Cost	284,306	275,646
Accumulated Depreciation	(263,395)	(251,873)
Property and Equipment, net	20,911	23,773
Deposits and other assets	16,239	25,763
<b>Total Assets</b>	<b>2,382,056</b>	<b>2,634,417</b>
<b>Liabilities and Net Capital Deficiency</b>		
<b>Current Liabilities</b>		
Accounts Payable	23	-
Accounts Payable - Sonata, net	2,294,351	2,877,056
Accrued Expenses	243,540	398,786
<b>Total Current Liabilities</b>	<b>2,537,914</b>	<b>3,275,842</b>
Preferred stock, \$0.0001 par value, redeemable, liquidation value of \$1.00 per share, 6,500,000 shares authorized, 2,500,00 issued and outstanding	2,500,000	2,500,000
<b>Net Capital Deficiency</b>		
Common stock, \$0.0001 par value, 3,500,000 shares authorized, 300,000 shares issued and outstanding	300,000	300,000
Retained earnings (accumulated deficit)	(2,955,858)	(3,441,425)
<b>Total Net Capital Deficiency</b>	<b>(2,955,858)</b>	<b>(3,141,425)</b>
<b>Total Preferred Stock and Net Capital Deficiency</b>	<b>(155,858)</b>	<b>(641,425)</b>
<b>Total Liabilities and Net Capital Deficiency</b>	<b>2,382,056</b>	<b>2,634,417</b>

## Offshore Digital Services, Inc.

### STATEMENT OF INCOME AND ACCUMULATED DEFICIT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2009

	US\$	
	YEAR ENDED 31.03.2009	YEAR ENDED 31.03.2008
Computer programming services		
Revenues	12,694,787	11,055,127
Direct costs	10,790,097	9,413,310
Gross margin	1,904,690	1,641,817
Expenses		
Sales, general and administrative	1,391,780	1,024,481
Depreciation	11,522	9,172
Total expenses	1,403,302	1,033,653
Income before taxes	501,388	608,164
Taxes on income	15,821	18,636
<b>Net income</b>	<b>485,567</b>	<b>589,528</b>
<b>Retained earnings (accumulated deficit)</b>		
<b>Beginning of year</b>	<b>(3,441,425)</b>	<b>(4,030,953)</b>
<b>End of year</b>	<b>(2,955,858)</b>	<b>(3,441,425)</b>

### STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2009

	US\$	
	YEAR ENDED 31.03.2009	YEAR ENDED 31.03.2008
<b>Cash flows from Operating Activities</b>		
Net income	485,567	589,528
Adjustments to reconcile net income to net cash provided (used) by operating activities		
Depreciation	11,522	9,172
<b>Changes in Current Assets and Liabilities</b>		
Accounts receivable	494,139	(1,124,740)
Prepaid expenses	(10,095)	(25,287)
Accounts payable	23	(13,123)
Accrued expenses	(155,246)	(90,655)
<b>Net Cash provided (used) by operating activities</b>	<b>825,910</b>	<b>(655,105)</b>
<b>Cash flows from investing activities</b>		
Purchases of property & equipment	(8,660)	(13,283)
Net change in deposits & other assets	9,524	37,386
<b>Net Cash provided (used) by investing activities</b>	<b>864</b>	<b>24,103</b>
<b>Cash flows from financing activities</b>		
Net change in accounts payable - Sonata	(582,705)	404,135
<b>Net Cash provided (used) by financing activities</b>	<b>(582,705)</b>	<b>404,135</b>
<b>Change in Cash and Cash Equivalents</b>	<b>244,069</b>	<b>(226,867)</b>
<b>Cash and Cash Equivalents, beginning of year</b>	<b>253,368</b>	<b>480,235</b>
<b>Cash and Cash Equivalents, end of year</b>	<b>497,437</b>	<b>253,368</b>
<b>Supplemental Cash flow information</b>		
Cash paid for income taxes	11,498	16,136



## Offshore Digital Services, Inc.

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### NOTES TO FINANCIAL STATEMENTS AT 31<sup>ST</sup> MARCH, 2009

#### Note 1 Summary of Significant Accounting Policies

##### Basis of Presentation

Offshore Digital Services, Inc. (ODSI) is a California corporation formed April 17, 1992 and based in 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 years 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. Depreciation is provided on a straight-line basis over estimated useful lives of 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.

##### 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 concentration

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 March 31, 2009 and 2008, 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 55% of total revenues during the year ended March 31, 2009. Revenue from a series of contracts with five companies comprised approximately 67% of total revenues during the year ended March 31, 2008. Amounts due from two companies comprised approximately 30% of total accounts receivable as of March 31, 2009. Amounts due from four companies comprised approximately 68% of total accounts receivable as of March 31, 2008.

##### 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.

##### Note 2 - Sonata Software

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 March 31, 2009 and 2008, ODSI and Sonata based charges between them on the cost of the services rendered. During the years ended March 31, 2009, ODSI paid or otherwise accrued charges totaling \$8,729,453 (2008 - \$7,798,643) 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 March 31, 2009 and 2008, ODSI nets the various related receivables and payables, which reconcile as follows:

US\$

	As at 31.03.2009	As at 31.03.2008
Accounts Payable Sonata – Software Development and other charges	2,531,045	3,181,192
Accounts Receivable Sonata – Living allowance and reimbursements	236,694	304,136
Accounts Payable – Sonata, net	2,294,351	2,877,056

### 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 \$2,426,000. 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 March 31, 2009 and 2008, consist principally of federal alternative minimum and state taxes on income for which net operating loss carry forwards are not available and/or minimum taxes apply.

ODSI has elected to defer application of Financial Accounting Standards Board (FASB) Interpretation Number 48 (FIN 48), "Accounting for Uncertainty in Income Taxes – An interpretation of FASB Statement Number 109," in accordance with FASB Staff Position Number 48-3 (FSB 48-3), until April 1 2009. ODSI evaluates its uncertain tax positions using the provisions of FASB Statement Number 5, "Accounting for Contingencies." Accordingly, ODSI recognizes a loss contingency when it is probable that ODSI has incurred a liability as of the date of the financial statements and ODSI can estimate reasonably the amount of the loss. The amount ODSI recognizes is subject to estimate and management judgment with respect to the likely

outcome of each uncertain tax position. The amount that taxing authorities ultimately sustain for individual or aggregate uncertain tax positions could differ from the amount recognized herein. Management evaluates all positions taken on income tax returns and does not believe that any current positions would be subject to adjustments herein if ODSI had applied FIN 48.

### Note 4 - Preferred stock

In September 2001, ODSI authorized and issued 6,500,000 shares of redeemable preferred, non-voting stock to Sonata for \$6,500,000, and used the proceeds to repay notes payable and other amounts due to Sonata. Subsequent to the issuance, ODSI redeemed 4,000,000 shares of the preferred stock for \$4,000,000. 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 2008, ODSI amended its articles of incorporation to eliminate the cumulative dividend for the preferred stock and preferential treatment with respect to any future dividends.

### 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, 2009, ODSI made matching contributions to the plan totaling \$29,789 (2008 - \$27,622).

### Note 6 - Commitments and contingencies

ODSI leases office facilities under various cancelable and non-cancelable operating leases expiring through September 30, 2009. Future minimum payments under the non-cancelable leases for the year ending March 31, 2010, total \$33,500.

Office facility and other rent expense that ODSI charged to operations, net of reimbursements received from Sonata, for the years ended March 31, 2009 totaled \$102,900 and (2008 - \$83,815).

## Sonata Software GmbH

### CERTIFICATION OF INDEPENDENT AUDITORS

We have reviewed the accompanying balance sheet of Sonata Software GmbH as of March 31, 2009 and the related statements of operations for the period April 1st, 2008 to March 31, 2009. 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 review.

We conducted our review in accordance with reviewing 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 March 31, 2009 and the results of its operations for the aforesaid period, in conformity with accounting principles generally accepted in Germany.

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

Cologne, 1<sup>st</sup> April, 2009

**O & R**  
**Oppenhoff & Rädler AG**

### BALANCE SHEET

	Euro	
	AS AT 31.03.09	AS AT 31.03.08
<b>ASSETS</b>		
<b>A. Current assets</b>		
I. Debtors and other assets		
1. Trade debtors	170,417.81	58,412.09
2. Other assets	<u>2,360.00</u>	3,040.26
II. Cheque, cash on hand, federal bank and postal giro accounts, cash at banks	319,906.83	186,045.22
<b>B. Prepayments and deferred charges</b>	<u>275.00</u>	275.00
Carry forward	<u>492,959.64</u>	<u>247,772.57</u>
<b>LIABILITIES AND EQUITY</b>		
<b>A. Equity</b>		
I. Subscribed capital	25,000.00	25,000.00
II. Capital reserve	25,000.00	25,000.00
III. Unappropriated profit brought forward	36,133.16	11,939.64
IV. Profit for the year	57,058.22	24,193.52
<b>B. Accruals</b>		
1. Tax Accruals	22,391.57	19,516.57
2. Other Accruals	<u>105,230.00</u>	38,500.00
<b>C. Creditors</b>		
1. Trade Creditors	27,452.44	42,449.40
- thereof with a remaining term of up to one year Euro 27,452.44 (Euro 42,449.40)		
2. Amounts due to investee companies	18,536.36	32,312.13
-thereof with a remaining term of up to one year Euro 18,536.36 (Euro 32,312.13)		
3. Other creditors	<u>176,157.89</u>	28,861.31
- thereof for taxes Euro 90,266.41 (Euro 25,645.47).		
Carry forward		
- thereof for social security costs Euro 12,501.16 (Euro 3,215.84)		
- thereof with a remaining term of upto 1 year Euro 176,157.89 (Euro 28,861.31)	<u>492,959.64</u>	<u>247,772.57</u>

### PROFIT AND LOSS ACCOUNT

	Euro	
	01.04.08 to 31.03.09	01.04.07 to 31.03.08
1 Sales revenues	2,135,118.54	1,085,619.41
2 <b>Total output</b>	2,135,118.54	1,085,619.41
3 Staff costs		
a) Wages and salaries	1,160,667.34	735,914.79
b) Social security costs and pension and welfare expense	<u>151,949.98</u>	1,312,617.32
4 Depreciation		
a) On intangible fixed assets, tangible assets and capitalised start-up and expansion costs	-	452.00
5 Other operating expenses		
a) Ordinary operating loss		
i) Cost of premises	3,429.10	3,396.46
ii) Insurance premiums, contributions and dues	925.40	714.80
iii) Travel and advertising costs	32,636.00	24,600.00
iv) Distribution costs	-	30,000.00
v) Various operating costs	701,258.24	157,983.73
b) Other extraordinary operating expense in connection with ordinary business activities	<u>142.26</u>	738,391.00
6 Interest and similar items	-	1,190.90
7 Profit from ordinary activities	84,110.22	36,098.52
8 Taxes on profit	<u>27,052.00</u>	11,905.00
9 <b>Profit for the year</b>	<u>57,058.22</u>	<u>24,193.52</u>

## 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 1<sup>st</sup> April, 2008 to 31<sup>st</sup> March, 2009, 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

### GROUP BALANCE SHEET

#### ASSETS

	EURO	
	AS AT 31.03.2009	AS AT 31.03.2008
<b>A. Fixed assets</b>		
<b>I. Intangible assets</b>		
Concessions, industrial property and similar rights and assets, and licences in such rights and assets	2,658,286.14	2,345,008.14
<b>II. Tangible asset</b>		
Factory and office equipment	7,293,178.00	6,370,556.70
<b>III. Financial assets</b>		
1. Shares in group undertakings	20,276.83	20,276.83
2. Companies measured at equity	753,995.03	715,948.14
<b>B. Current assets</b>		
<b>I. Inventories</b>		
1. Finished goods and goods for resale	86,419.58	105,142.18
2. Work in progress	296,946.74	281,474.50
<b>II. Receivables and other assets</b>		
1. Trade account receivables	18,197,915.29	18,328,888.04
2. Received from associated companies	-	100,000.00
3. Other current assets	246,107.35	303,154.39
<b>III. Bank balances</b>	5,446,998.64	5,544,674.07
<b>C. Prepaid expenses</b>	3,210,743.50	3,225,545.35
<b>D. Deferred tax assets</b>	1,164,491.89	1,267,355.01
	<b>39,375,358.99</b>	<b>38,608,023.35</b>

#### EQUITY AND LIABILITIES

	EURO	
	AS AT 31.03.2009	AS AT 31.03.2008
<b>A. Equity</b>		
I. Subscribed capital	1,000,000.00	1,000,000.00
II. Capital reserves	1,287,068.68	1,387,068.68
III. Consolidated profits	7,492,546.46	6,162,655.10
IV. Minority interests	350,393.20	260,383.99
<b>B. Provisions</b>		
1. Provisions for pensions	8,778,138.71	7,936,465.00
2. Tax provisions	643,127.00	3,350,903.00
3. Other provisions	12,810,250.45	13,300,048.14
<b>C. Liabilities</b>		
1. Liabilities to banks	500,000.00	-
2. Trade creditors	1,637,169.47	1,408,050.16
3. Amounts owed to associated companies	457,536.54	467,703.88
4. Other liabilities	3,294,788.79	3,308,738.65
<b>D. Deferred income and accrued expenses</b>	1,121,078.16	24,072.00
<b>E. Deferred tax liabilities</b>	3,261.53	1,934.75
	<b>39,375,358.99</b>	<b>38,608,023.35</b>

## CONSOLIDATED PROFIT AND LOSS ACCOUNT

	EURO	
	01.04.08 to 31.03.09	01.04.07 to 31.03.08
1. Turnover	111,283,959.84	111,961,655.25
2. Changes to work in progress	15,472.24	281,474.50
3. Other operating income	1,016,181.44	112,315,613.52
4. Cost of materials and purchased services		
a) Cost of materials	85,517.66	-
b) Cost of purchased services	51,711,727.30	51,797,244.96
5. <b>Gross profit</b>	<b>60,518,368.56</b>	<b>55,945,515.42</b>
6. Staff costs		
a) Wages and salaries	32,248,355.53	27,951,761.84
b) Social security, pension and other benefits	6,663,835.37	38,912,190.90
7. Amortization and depreciation of fixed intangible and tangible assets	5,495,817.20	5,805,426.05
8. Other operating expenses	9,393,956.15	9,661,161.63
9. Result from companies measured at equity	38,046.89	104,247.89
10. Other interest and similar income	153,068.87	2,421,446.74
11. Interest and similar expenses	618,814.83	160,158.34
12. <b>Profit on ordinary activities</b>	<b>6,288,705.24</b>	<b>9,050,263.84</b>
13. Effects of the change of accounting policies	-	1,313,076.97
14. Taxes on income	2,014,985.44	2,359,514.25
15. Other taxes	24,217.25	23,475.13
16. <b>Profit for the year</b>	<b>4,249,502.55</b>	<b>7,980,351.43</b>
17. Profit owed to other shareholders	70,012.57	153,413.83
18. <b>Consolidated profits for the period</b>	<b>4,179,489.98</b>	<b>7,826,937.60</b>
19. Profit carry forward	6,162,655.10	3,576,275.74
20. Dividends paid	2,849,598.62	5,240,558.24
21. <b>Consolidated profits</b>	<b>7,492,546.46</b>	<b>6,162,655.10</b>

## GROUP CASH FLOW STATEMENT

	EURO	
	01.04.08 to 31.03.09	01.04.07 to 31.03.08
Net result before paid tax on income	6,789,098.09	8,025,713.85
Write-downs on non-current assets	5,495,817.20	5,805,426.05
Decrease of accruals and provisions	(271,425.02)	(4,603,213.74)
Other non cash related income and expenses	-	(4,247.89)
Decrease / Increase of inventories, trade receivables and other assets not related to investing or financing activities	370,888.23	(5,505,309.63)
Increase / Decrease of trade payables and other liabilities not related to investing or financing activities	1,303,335.05	(1,311,900.11)
Tax on income paid	(4,624,070.50)	(310,141.77)
<b>Cash flows from operating activities</b>	<b>9,063,643.05</b>	<b>2,096,326.76</b>
Payments received from disposals of tangible and intangible assets	298,438.00	134,432.00
Purchase of property, plant and equipment	(1,842,377.60)	(1,901,056.49)
Purchase of intangible assets	(5,187,776.90)	(3,317,457.06)
Purchase of financial assets	(100,000.00)	-
<b>Cash flows from investing activities</b>	<b>(6,831,716.50)</b>	<b>(5,084,081.55)</b>
Distribution to minority shareholders	(96,551.39)	-
Cash proceeds from long term borrowings	500,000.00	-
Financial activities with minority shareholders	116,548.03	(116,548.03)
Distribution to shareholders	(2,849,598.62)	(5,240,558.24)
<b>Cash flows from financing activities</b>	<b>(2,329,601.98)</b>	<b>(5,357,106.27)</b>
<b>Change in cash funds from cash relevant transactions</b>	<b>(97,675.43)</b>	<b>(8,344,861.06)</b>
Cash funds at the beginning of period	5,544,674.07	13,889,535.13
<b>Cash funds at the end of period</b>	<b>5,446,998.64</b>	<b>5,544,674.07</b>



## 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, 2009

### PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the company during the period 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 of 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 £2,627,500 (2008 - £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 £106,836 (2008 - £223,075). The company also received dividends in respect of its shareholding in TUI InfoTec GmbH of £1210.059 (2008- £1,891,659).

### 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 amounted to £1,039,932. The directors do not recommend payment of a dividend on the ordinary or 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 company repaid all borrowings in the year and therefore has no significant interest rate risk.

#### Foreign currency risks

The company has foreign currency exposure on a proportion of its cash balances held in Euros and also receives investment income in Euros. Directors review the position regularly and take action as deemed necessary.

#### 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 fully repaid all bank borrowings in the year.

### DIRECTORS

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

Mr V Desai  
Mr S Ramarao

### POLICY ON THE PAYMENT OF CREDITORS

The company is responsible for agreeing the terms and conditions under which business transactions with its suppliers are conducted. It is company policy that payments to suppliers are made in accordance with these terms, provided that the supplier companies 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 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 judgements 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 accurately 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 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
- any relevant audit information and to establish that the auditor is aware of that information.

### AUDITOR

Lubbock Fine are deemed to be re-appointed under section 487(2) of the Companies Act 2006.

Approved by the directors on 08.04.2009 and signed by

**S Ramarao**  
Director



## Sonata Europe Limited

### INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF SONATA EUROPE LIMITED YEAR ENDED 31<sup>ST</sup> MARCH, 2009

We have audited the financial statements of Sonata Europe Limited for the year ended 31 March 2009 which have been prepared on the basis of the accounting policies in the notes to the financial statement.

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 shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

#### RESPECTIVE RESPONSIBILITIES OF DIRECTORS 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.

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 directors 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 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 31 March 2009 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: 8<sup>th</sup> April, 2009

## Sonata Europe Limited

### PROFIT AND LOSS ACCOUNT YEAR ENDED 31<sup>ST</sup> MARCH, 2009

	Note	Year to 31 Mar 09	Year to 31 Mar 08
<b>TURNOVER</b>	<b>2</b>	<b>106,836</b>	<b>223,075</b>
Cost of sales		(86,298)	(179,066)
<b>GROSS PROFIT</b>		<b>20,538</b>	<b>44,009</b>
Administrative expenses		(171,753)	(166,745)
<b>OPERATING LOSS</b>	<b>3</b>	<b>(151,215)</b>	<b>(122,736)</b>
Income from shares in group undertakings	6	1,210,059	1,891,659
Interest receivable		25,157	10,545
Interest payable and similar charges	7	(44,069)	(1,395,768)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<b>1,039,932</b>	<b>383,700</b>
Tax on profit on ordinary activities	8	-	-
<b>PROFIT FOR THE FINANCIAL YEAR</b>		<b>1,039,932</b>	<b>383,700</b>
Balance brought forward		218,084	(165,616)
Balance carried forward		1,258,016	218,084

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 31<sup>ST</sup> MARCH, 2009

	Note	2009	2008
<b>FIXED ASSETS</b>			
Investments	9	12,688,116	12,688,116
<b>CURRENT ASSETS</b>			
Debtors	10	40,677	128,312
Cash at bank		1,273,531	1,113,472
		1,314,208	1,241,784
<b>CREDITORS:</b>			
Amounts falling due within one year	11	(23,508)	(57,262)
<b>NET CURRENT ASSETS</b>		<b>1,290,700</b>	<b>1,184,522</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>13,978,816</b>	<b>13,872,638</b>
<b>CREDITORS:</b>			
Amounts falling due after more than one year	12	-	(3,561,254)
		13,978,816	10,311,384
<b>CAPITAL AND RESERVES</b>			
Called-up share capital	13	12,720,800	10,093,300
Profit and loss account		1,258,016	218,084
<b>SHAREHOLDERS' FUNDS</b>	<b>14</b>	<b>13,978,816</b>	<b>10,311,384</b>

These financial statements were approved by the Directors on 8<sup>th</sup> April, 2009 and are signed by :

**S Ramarao**  
Director

### CASH FLOW STATEMENT YEAR ENDED 31<sup>ST</sup> MARCH, 2009

	Note	Year to 31 Mar 09	Year to 31 Mar 08
<b>NET CASH OUTFLOW FROM OPERATING ACTIVITIES</b>	<b>15</b>	<b>(61,067)</b>	<b>(179,526)</b>
<b>RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>			
Income from group undertakings		1,210,059	1,891,659
Interest received		11,118	10,545
Interest paid		(66,297)	(564,126)
<b>NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>		<b>1,154,880</b>	<b>1,338,078</b>
<b>CASH INFLOW BEFORE FINANCING</b>		<b>1,093,813</b>	<b>1,158,552</b>
<b>FINANCING</b>			
Issue of equity share capital		2,627,500	3,376,300
Repayment of bank loans		(3,561,254)	(4,080,497)
<b>NET CASH INFLOW FROM FINANCING</b>		<b>(933,754)</b>	<b>(704,197)</b>
<b>INCREASE IN CASH</b>	<b>15</b>	<b>160,059</b>	<b>454,355</b>

## Sonata Europe Limited

### NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31<sup>ST</sup> MARCH, 2009

#### 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.

##### 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.

##### 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 accounts when they are paid, in accordance with Financial Reporting Standard No. 21.

#### 2. TURNOVER

The turnover and profit before tax are attributable to the one principal activity of the company.

An analysis of turnover is given below:

	Year to 31 Mar 09	Year to 31 Mar 08
	(£)	(£)
United Kingdom	102,094	190,615
Overseas	4,742	32,460
	<u>106,836</u>	<u>223,075</u>

#### 3. OPERATING LOSS

Operating loss is stated after charging/(crediting):		
Net profit on foreign currency translation	(108,952)	(117,237)
Auditor's remuneration - audit of the financial statements	3,500	3,500
Auditor's remuneration - other fees	15,500	11,826
Auditor's remuneration - audit of the financial statements	3,500	3,500
Auditor's remuneration - other fees		
- Taxation services	1,750	3,540
- Accountancy services	12,450	4,715
- Secretarial services	1,300	3,571
	<u>15,500</u>	<u>11,826</u>

#### 4. PARTICULARS OF EMPLOYEES

The average number of staff employed by the company during the financial year amounted to:	(No.)	(No.)
Number of administrative staff	1	1
The aggregate payroll costs were:	(£)	(£)
Wages and salaries	142,052	170,512
Social security costs	17,387	21,162
	<u>159,439</u>	<u>191,674</u>

#### 5. DIRECTORS' EMOLUMENTS

The directors' aggregate emoluments in respect of qualifying services were		
Emoluments receivable	142,052	170,512

	Year to 31 Mar 09	Year to 31 Mar 08
	(£)	(£)
<b>6. INCOME FROM SHARES IN GROUP UNDERTAKING</b>		
Dividends from group undertakings	<u>1,210,059</u>	<u>1,891,659</u>
<b>7. INTEREST PAYABLE AND SIMILAR CHARGES</b>		
Interest payable on bank borrowing	44,069	547,911
Other similar charges payable	-	847,857
	<u>44,069</u>	<u>1,395,768</u>
<b>8. TAXATION ON ORDINARY ACTIVITIES</b>		
<b>Analysis of charge in the year</b>		
Current tax:		
UK Corporation tax based on the results for the year at 28% (2008-30%)	283,716	115,110
Relief for overseas taxation	(283,716)	(115,110)
<b>Total Current Tax</b>	<u>-</u>	<u>-</u>
At the balance sheet date a deferred tax asset of £38,721 (2008 - £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</b>		
The tax assessed on the profit on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 28% (2008 - 30%).		
Profit on ordinary activities before taxation	<u>1,039,932</u>	<u>383,700</u>
Profit on ordinary activities by rate of tax	291,181	115,110
Utilisation of tax losses brought forward	(7,465)	-
Relief for overseas taxation	(283,716)	(115,110)
<b>Total current tax</b>	<u>-</u>	<u>-</u>

**9. INVESTMENTS** (£)

<b>COST</b>	
At 1 <sup>st</sup> April, 2008 and 31 <sup>st</sup> March, 2009	<u>12,688,116</u>

<b>NET BOOK VALUE</b>	
At 31 <sup>st</sup> March, 2008 and 2009	<u>12,688,116</u>

The company owns 50.1% of the shares of TUI InfoTe GmbH, a company registered and operating in Germany as an information technology service provider. The investment value shown above includes £519,376 relating to acquisition costs.

<b>10. DEBTORS</b>		
	2009	2008
	(£)	(£)
Trade debtors	9,200	51,952
Other debtors	17,439	12,974
Prepayments and accrued Income	14,038	63,386
	<u>40,677</u>	<u>128,312</u>

The debtors above include the following amounts falling due after more than one year

Prepayments and accrued Income	-	39,616
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<b>11. CREDITORS</b>		
<b>Amounts falling due within one year</b>		
	2009	2008
	(£)	(£)
VAT	741	10,977
Other creditors	15,717	17,057
Accruals and deferred income	7,050	29,228
	<u>23,508</u>	<u>57,262</u>

<b>12. CREDITORS</b>		
<b>Amounts falling due after more than one year</b>		
Bank loans	-	3,561,254
	<u>-</u>	<u>3,561,254</u>

The bank loan was fully repaid during the year. The loan was payable by October 2010, with six monthly capital repayments which commenced on 30 April 2008. Interest was payable at LIBOR plus 1.75%

The bank loan was 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

	2009 (£)	2008 (£)
<b>Authorised share capital:</b>		
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	15,000,000	15,000,000
	<u>16,000,000</u>	<u>16,000,000</u>

	2009 (£)	2008 (£)
<b>Allotted, called up and fully paid up:</b>		
Ordinary shares of £1 each	671,700	671,700
2% non cumulative redeemable convertible preference shares of £1 each	12,049,100	9,421,600
	<u>12,720,800</u>	<u>10,093,300</u>

On 19 May 2008 2,627,500 2% non cumulative preference shares of £1 each were issued at par and the proceeds were used to repay the bank loan.

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

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

	2009 (£)	2008 (£)
Profit for the financial year	1,039,932	383,700
Preference shares reclassified as equity instruments	-	6,045,300
New preference share capital subscribed	2,627,500	3,376,300
Opening shareholders' funds	10,311,384	506,084
Closing shareholders' funds	<u>13,978,816</u>	<u>10,311,384</u>

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

	2009 £	2008 £
Operating loss	(151,215)	(122,736)
(Decrease)/Increase in debtors	101,673	(53,491)
Decrease in creditors	(11,525)	(3,299)
Net cash outflow from operating activities	<u>(61,067)</u>	<u>(179,526)</u>

	2009 (£)	2008 (£)
Increase/(decrease) in cash in the period	160,059	454,355
Net cash outflow from bank loans	3,561,254	3,232,640
Net cash outflow from shares classed as financial liabilities	-	6,045,300
	<u>3,721,313</u>	<u>9,732,295</u>
Change in net funds	3,721,313	9,732,295
Net debt at 1 <sup>st</sup> April, 2008	(2,447,782)	(12,180,077)
<b>Net funds at 31<sup>st</sup> March, 2009</b>	<u>1,273,531</u>	<u>(2,447,782)</u>

ANALYSIS OF CHANGES IN NET FUNDS

	At 1 Apr, 08	Cash flows	At 31 Mar, 09
Net cash:			
Cash in hand and at bank	1,113,472	160,059	1,273,531
Debt:			
Debt due after 1 year	(3,561,254)	3,561,254	-
<b>Net funds</b>	<u>(2,447,782)</u>	<u>3,721,313</u>	<u>1,273,531</u>

16. 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.



## Sonata Software FZ LLC, Dubai

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### DIRECTOR'S REPORT

#### FOR THE PERIOD ENDED 31<sup>ST</sup> MARCH 2009

The directors present their report and financial statements for the 80 day period ended 31st March, 2009.

The company was incorporated on 11th January, 2009.

#### PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The principal activity of the company is providing value-based information technology solutions to customers and its range of services includes IT consulting, product engineering services, application development, application management, managed testing, business intelligence, infrastructure management, packaged applications and travel solutions.

#### RESULTS AND DIVIDENDS

The trading results for the period and the company's financial position at the end of the period are shown in the attached financial statements.

#### DIRECTORS AND THEIR INTERESTS

As at 31st March, 2009, the directors of the company are Mr. Ramaswamy Byanna and Mr Srikar Reddy Palem and none of them hold any shares in the Company.

Approved by the directors on 8th April, 2009 and signed on their behalf by:

**B Ramaswamy**  
Director

#### Independent Auditor's report to the shareholders of Sonata Software FZ LLC for the 80 day period ended 31<sup>st</sup> March, 2009

##### Report on the Financial Statements

We have audited the accompanying financial statements of Sonata Software FZ LLC ("the Company"), which comprise the balance sheet as at 31 March, 2009 and the income statement, statement of changes in equity and cash flow statement for the 80 day period ended 31 March 2009, and a summary of significant accounting policies.

This report is made solely to the Company's shareholders as a body. Our audit work has been undertaken so that we might state to the Company's shareholders those matters that 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 shareholders as a body, for our audit work, for this report or for the opinion formed.

##### Management's Responsibility for the Financial Statements

International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

##### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

##### Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of 31 March 2009 and the results of its operations and its cash flows for the period then ended in accordance with International Financial Reporting Standards.

##### Russell Bedford (Dubai) Limited

Date: 8<sup>th</sup> April, 2009

## Sonata Software FZ LLC, Dubai

### Income Statement

For the 80 day period ended 31<sup>st</sup> March 2009

US\$

	Notes	80 day period ended 31.03.09
Revenue		347,399
Cost of services		(170,309)
<b>GROSS PROFIT</b>		<b>177,090</b>
General and administrative expenses		(146,770)
<b>NET PROFIT FOR THE PERIOD</b>	<b>3</b>	<b>30,320</b>

### Balance Sheet

US\$

	Notes	As at 31.03.09
<b>ASSETS</b>		
<b>NON-CURRENT ASSETS</b>		
Tangible assets	4	11,744
<b>Total non-current assets</b>		<b>11,744</b>
<b>CURRENT ASSETS</b>		
Trade and other receivables	5	375,155
Cash and cash equivalents	6	38,984
Total current assets		414,139
<b>Total assets</b>		<b>425,883</b>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Amount due to a related party	8	219,232
Other payables	7	40,202
<b>Total liabilities</b>		<b>259,434</b>
<b>EQUITY</b>		
Share capital	9	136,129
Retained earnings		30,320
Total equity		166,449
<b>Total equity and liabilities</b>		<b>425,883</b>

These financial statement were approved by the directors on 8th April, 2009 and signed on their behalf by:

**B Ramaswamy**  
Director

### Statement of changes in equity

For the 80 day period ended 31<sup>st</sup> March 2009

US\$

	Issued share capital	Retained earnings	Total
Share capital subscribed	136,129	-	136,129
Profit for the period	-	30,320	30,320
<b>Balance at 31<sup>st</sup> March, 2009</b>	<b>136,129</b>	<b>30,320</b>	<b>166,449</b>

### Cash Flow Statement

For the 80 day period ended 31<sup>st</sup> March 2009

US\$

	As at 31.03.09
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Profit for the period	30,320
Adjustments for Depreciation and amortisation	802
	31,122
<b>CHANGES IN WORKING CAPITAL</b>	
Change in trade and other receivables	(375,155)
Change in amounts due to a related party	219,232
Change in other payables	40,202
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>(84,599)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Proceeds from share capital issued and subscribed	136,129
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Additions to fixed assets	(12, 546)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>38,984</b>
<b>CASH AND CASH EQUIVALENTS</b>	
At end of period	38,984

## Sonata Software FZ LLC, Dubai

### Notes to the financial statements For the 80 day period ended 31<sup>st</sup> March, 2009

#### 1. Legal status and principal activities

Sonata Software FZ LLC ("the Company") is registered in Dubai Internet City ("DIC") in the Emirate of Dubai, U.A.E and the Company is wholly owned by Sonata Software Ltd. a Company registered in India. The principal activity of the Company is providing value-based information technology solutions to customers and its range of services includes IT Consulting, Product Engineering Services, Travel Solutions, Application Development, Application Management, Managed Testing, Business Intelligence, Infrastructure Management, Packaged Applications and Travel Solutions.

The registered address of the Company is Office # 507, Al Thuraya Tower 01, Dubai Internet City, P.O. Box 502818, Dubai, United Arab Emirates. The Company was incorporated on the 11th January, 2009 and these financial statements represent the first period of its operations.

#### 2. Basis of preparation and significant accounting policies

##### Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs").

##### Basis of measurement

The financial statements have been prepared on the historical cost basis.

##### Functional and presentation currency

The financial statements are presented in United States Dollars ("USD"), which is the Company's functional currency.

##### Use of estimates and judgements

The preparation of financial statements in conformity with IFRS's requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Judgments made by management in the application of IFRS that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 11.

##### Property and equipment

All property and equipment is stated at historical cost less depreciation, amortisation and provision for impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged

to the income statement during the financial period in which they are incurred.

Depreciation on assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

	Estimated useful life (in years)
Computers and peripherals	3
Office equipment	7
Furniture and fixtures	7

Leasehold improvements and major renovations are amortised over the term of the lease or the estimated useful life of the improvements, whichever is shorter.

The asset's residual values and useful lives are reviewed and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the income statement.

##### Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at initial valuation, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited to the income statement.

##### Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

##### Share capital

Ordinary shares are classified as equity.

##### Trade and other payables

Trade and other payables are recognised initially at fair value.

##### Financial liabilities

Financial liabilities are recognised initially at fair value.

##### Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Company expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

**Revenue recognition**

The Company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Company's activities.

Costs and expenses

Costs and expenses are recognised when incurred.

**3. NET PROFIT**

Net profit is stated after charging:

	US\$
	<b>80 day period ended 31.03.09</b>
Auditors remuneration	3,000
Depreciation and amortisation	802
Staff costs	52,452
Office rent	11,615

**4. PROPERTY, PLANT AND EQUIPMENT**

Property, plant and equipment at 31st March, 2009 consisted of:

	US\$				
	Leasehold improvements	Office equipment	Computers and peripherals	Furniture and fixtures	Total
<b>Cost</b>					
Additions during the period	2,852	451	3,689	5,554	12,546
<b>Accumulated depreciation</b>					
Charge during the period	492	11	150	149	802
<b>Net book value At 31st March, 2009</b>	<b>2,360</b>	<b>440</b>	<b>3,539</b>	<b>5,405</b>	<b>11,744</b>

**5. TRADE AND OTHER RECEIVABLES**

Trade receivables	347,399
Prepayments	19,062
Staff advance	1,357
Other receivables	7,337
	<u>375,155</u>

**6. CASH AND CASH EQUIVALENTS**

This includes cash balance held in an AED current account with a commercial bank in the U.A.E

**7. OTHER PAYABLES: Amounts falling due within one year**

Accrued consultant charges	22,333
Accrued expenses	5,346
Accrued salaries	12,523
	<u>40,202</u>

**8. AMOUNTS DUE TO A RELATED PARTY**

Sonata Software Limited	<u>219,232</u>
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**9. SHARE CAPITAL**

The details of share capital at 31st March, 2009 are shown below:

	Number of shares	Amount US\$
Authorised shares of AED 1,000 each	500	136,129
Issued and paid	500	136,129

**10. FINANCIAL INSTRUMENTS**

	Carrying amount	Fair value
<b>Financial assets</b>		
Cash and cash equivalents	38,984	38,984
Trade and other receivables	375,155	375,155
<b>Financial liabilities</b>		
Other payables	40,202	40,202
Amount due to a related party	219,232	219,232

The fair value of financial assets and liabilities approximate the book value at 31 March 2009. Accounting policies for financial assets and financial liabilities are set out in note 2.

The Company manages these risks as follows:

*Currency risk*

The Company does not have significant exposure to currency risk.

*Credit risk*

The Company scrutinises all potential customers to assess the ability of the customer to pay before offering credit.

*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 Management will continue to monitor the Company's cash requirements.

**11. ACCOUNTING ESTIMATES AND JUDGEMENTS**

Judgements made by management in the application of IFRS that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year comprise of residual value and useful lives of property, plant and equipment and other receivables.

## BOARD OF DIRECTORS

### Pradip P Shah

Chairman

### S B Ghia

Director

### M D Dalal

Executive Vice Chairman

### Viren Raheja

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

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## REGISTERED OFFICE

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## SUBSIDIARY COMPANIES

### Sonata Information Technology Limited

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

### Offshore Digital Services Inc.,

39300 Civic Center Drive, Suite 270,  
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Auditors: Wilson Markle Stuckey Hardesty & Bott

### Sonata Software GmbH

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Auditors: O&R Oppenhoff & Radler AG

### TUI InfoTec GmbH

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Auditors: Lubbock Fine

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Auditors: Russell Bedford (Dubai) Limited



SONATA SOFTWARE

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