

**SONATA INFORMATION TECHNOLOGY LIMITED**  
**BALANCE SHEET AS AT 31ST MARCH 2010**

		(Rs)	
		AS AT	AS AT
SCHEDULE		31.03.2010	31.03.2009
<b>SOURCES OF FUNDS</b>			
<b>SHAREHOLDERS' FUNDS</b>			
Share Capital	1	33,753,940	33,753,940
Reserves and Surplus	2	318,193,063	251,291,425
		<u>351,947,003</u>	<u>285,045,365</u>
<b>LOAN FUNDS</b>			
Secured Loans	3	219,000,000	-
Unsecured Loans	4	165,000,000	-
<b>DEFERRED TAX LIABILITY</b>		-	<b>803,850</b>
<b>TOTAL FUNDS EMPLOYED</b>		<u><u>735,947,003</u></u>	<u><u>285,849,215</u></u>
<b>APPLICATION OF FUNDS</b>			
<b>FIXED ASSETS</b>			
Gross Block	5	31,927,071	33,018,624
Less : Depreciation		27,952,957	26,078,139
<b>Net Block</b>		<u>3,974,114</u>	<u>6,940,485</u>
<b>DEFERRED TAX ASSET</b>		<b>1,252,195</b>	-
<b>CURRENT ASSETS, LOANS &amp; ADVANCES</b>			
Inventories	6	77,286,576	28,890,814
Sundry Debtors	7	785,949,771	1,205,226,725
Cash & Bank Balances	8	87,212,623	169,183,809
Other Current Assets	9	20,253,750	10,800,000
Loans and Advances	10	1,031,061,162	735,045,876
		<u>2,001,763,882</u>	<u>2,149,147,224</u>
<b>Less: CURRENT LIABILITIES &amp; PROVISIONS</b>			
Current Liabilities	11	1,269,810,933	1,869,273,995
Provisions	12	1,232,255	964,499
		<u>1,271,043,188</u>	<u>1,870,238,494</u>
<b>NET CURRENT ASSETS</b>		<u>730,720,694</u>	<u>278,908,730</u>
<b>TOTAL FUNDS APPLIED</b>		<u>735,947,003</u>	<u>285,849,215</u>

**NOTES FORMING PART OF ACCOUNTS**

As per our Report annexed

18

For and on behalf of the Board

For N M RAIJI & Co.  
Chartered Accountants

For Sonata Information Technology Limited

CA Y N THAKKAR  
Partner  
Membership No 33329

B RAMASWAMY  
Director

P SRIKAR REDDY  
Director

BRIJENDRA K. SYNGAL  
Director

SUJIT MOHANTY  
AVP & Director

FEROZA BYRAMJI  
Company Secretary

Bangalore, 18th April, 2010

**SONATA INFORMATION TECHNOLOGY LIMITED**

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2010**

		(Rs)	
		YEAR ENDED	YEAR ENDED
SCHEDULE		31.03.2010	31.03.2009
<b>INCOME</b>			
Sales and Services (Net)	13	5,036,061,097	6,390,928,611
Other Income	14	20,636,468	22,144,175
<b>Total Income</b>		<u><u>5,056,697,565</u></u>	<u><u>6,413,072,786</u></u>
<b>EXPENDITURE</b>			
Operating and Other Expenses	15	393,288,799	423,223,953
Purchase of traded items		4,562,361,832	5,758,975,292
Interest	16	26,409,395	16,026,442
Depreciation		2,995,116	4,085,003
Provision for Doubtful Debts		4,740,508	2,963,551
		<u>4,989,795,650</u>	<u>6,205,274,241</u>
Add/(Less) : (Increase)/ Decrease in Stocks	17	(48,395,762)	75,625,558
		<u>4,941,399,888</u>	<u>6,280,899,799</u>
<b>Profit Before Tax</b>		115,297,677	132,172,987
Provision for Tax (Refer schedule 18, Note 11)		39,100,158	46,647,693
<b>Profit After Tax</b>		76,197,519	85,525,294
Add : Balance of Profit brought forward from previous year		225,038,365	139,513,071
<b>Disposable Surplus</b>		<u><u>301,235,884</u></u>	<u><u>225,038,365</u></u>
<b>Balance Carried to Balance Sheet</b>		<u><u>301,235,884</u></u>	<u><u>225,038,365</u></u>

**NOTES FORMING PART OF ACCOUNTS** 18

EPS - Basic (on Rs.10 per share)	22.57	25.34
EPS - Diluted (on Rs.10 per share)	22.57	25.34

As per our Report annexed

For and on behalf of the Board

For N M RAIJI & Co.  
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For Sonata Information Technology Limited

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Company Secretary

Bangalore, 18th April, 2010

SONATA INFORMATION TECHNOLOGY LIMITED		
Schedules attached to and forming part of the accounts as at 31st March 2010		
	(Rs)	
	AS AT 31.03.2010	AS AT 31.03.2009
<b>SCHEDULE 1 : SHARE CAPITAL</b>		
<b>Authorised :</b>		
10,000,000 Equity Shares of Rs. 10/- each (Previous period 10,000,000 Equity Shares of Rs. 10/- each)	<b>100,000,000</b>	<b>100,000,000</b>
<b>Issued :</b>		
6,000,700 Equity Shares of Rs.10/- each (Previous period 6,000,700 Equity Shares of Rs.10/ each)	<b>60,007,000</b>	<b>60,007,000</b>
<b>Subscribed and Paid-Up :</b>		
3,375,394 Equity Shares of Rs.10/- each (Held by Holding company -Sonata Software Limited) (Previous period 3,375,394 Equity Shares of Rs.10/ each)	<b>33,753,940</b>	<b>33,753,940</b>
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 period 3,375,394 Equity Shares)		
<b>SCHEDULE 2 : RESERVES AND SURPLUS</b>		
<b>Capital Redemption Reserve*</b>		
Opening balance	26,253,060	26,253,060
Add : During the year	-	-
<b>Capital Redemption Reserve*</b>	<u>26,253,060</u>	<u>26,253,060</u>
<b>Profit and Loss Account</b>	301,235,884	225,038,365
Hedging Reserve	(9,295,881)	-
	<u><b>318,193,063</b></u>	<u><b>251,291,425</b></u>
*(Capital redemption reserve created on account of buyback of the shares )		
<b>SCHEDULE 3 : SECURED LOANS</b>		
From Banks		
Standard Chartered Bank	<b>119,000,000</b>	-
NOTES :		
( Secured by hypothecation of movable assets both present & future )		
CITI bank	<b>100,000,000</b>	-
( Secured by hypothecation of stocks & books debts present & future, the charge is in the process of registration )		
	<u><b>219,000,000</b></u>	<u>-</u>
<b>SCHEDULE 4 : UNSECURED LOANS</b>		
Inter Corporate Deposit from Holding Company	165,000,000	-
	<u><b>165,000,000</b></u>	<u>-</u>

**SONATA INFORMATION TECHNOLOGY LIMITED**

Schedules attached to and forming part of the accounts as at 31st March 2010

**SCHEDULE 5 : FIXED ASSETS**

(Rs)

Assets	Gross Block				Depreciation				Net Block
	Cost as at 01.04.2009	Additions	Deductions / Adjustments	Cost as at 31.03.2010	As at 01.04.2009	For the Period	Deductions / Adjustments	As at 31.03.2010	As at 31.03.2010
<b>Leasehold Improvements</b>	<b>3,826,190</b> (3,404,592)	- (421,598)	- -	<b>3,826,190</b> (3,826,190)	<b>2,497,153</b> (2,215,755)	<b>303,836</b> (281,398)	<b>0</b> -	<b>2,800,989</b> (2,497,153)	<b>1,025,201</b> (1,329,037)
<b>Plant &amp; Machinery</b>	<b>23,329,251</b> (23,309,577)	<b>0</b> (212,004)	<b>1,113,327</b> (192,330)	<b>22,215,924</b> (23,329,251)	<b>19,913,470</b> (16,584,150)	<b>2,315,033</b> (3,373,227)	<b>1,113,303</b> (43,907)	<b>21,115,200</b> (19,913,470)	<b>1,100,724</b> (3,415,781)
<b>Furniture &amp; Fixtures</b>	<b>3,508,284</b> (2,730,564)	- (777,720)	- -	<b>3,508,284</b> (3,508,284)	<b>2,402,690</b> (2,106,002)	<b>202,997</b> (296,688)	<b>0</b> -	<b>2,605,687</b> (2,402,690)	<b>902,597</b> (1,105,594)
<b>Motor Car &amp; Vehicles</b>	<b>2</b> (2)	- -	<b>2</b> -	<b>-</b> (2)	<b>1</b> (1)	<b>1</b> -	<b>2</b> -	<b>-</b> (1)	<b>-</b> (1)
<b>Air Conditioners &amp; Other Equipments</b>	<b>2,354,897</b> (1,949,676)	<b>36,964</b> (472,722)	<b>15,188</b> (67,501)	<b>2,376,673</b> (2,354,897)	<b>1,264,825</b> (1,179,368)	<b>173,249</b> (133,690)	<b>6,993</b> (48,233)	<b>1,431,081</b> (1,264,825)	<b>945,592</b> (1,090,072)
<b>TOTAL</b>	<b>33,018,624</b> (31,394,411)	<b>36,964</b> (1,884,044)	<b>1,128,517</b> (259,831)	<b>31,927,071</b> (33,018,624)	<b>26,078,139</b> (22,085,276)	<b>2,995,116</b> (4,085,003)	<b>1,120,298</b> (92,140)	<b>27,952,957</b> (26,078,139)	<b>3,974,114</b> (6,940,485)
<b>GRAND TOTAL</b>									<b>3,974,114</b> (6,940,485)

Notes:

1. Figures in brackets pertain to previous year ended 31st March 2009
2. Plant and Machinery includes Computer and Software

<b>SONATA INFORMATION TECHNOLOGY LIMITED</b>		
<b>Schedules attached to and forming part of the accounts as at 31st March 2010</b>		
	<b>(Rs)</b>	
	AS AT 31.03.2010	AS AT 31.03.2009
<b>SCHEDULE 6 : INVENTORIES</b>		
Finished Products	77,286,576	28,890,814
	<u>77,286,576</u>	<u>28,890,814</u>
<b>SCHEDULE 7 : SUNDRY DEBTORS</b>		
<b>Unsecured</b>		
Debits outstanding for a period exceeding six months		
Considered Good	61,565,024	95,310,166
Considered Doubtful	7,704,059	2,963,551
	<u>69,269,083</u>	<u>98,273,717</u>
Other debts : Considered Good	724,384,747	1,109,916,559
	<u>793,653,830</u>	<u>1,208,190,276</u>
Less: Provision for Doubtful Debts	7,704,059	2,963,551
	<u>785,949,771</u>	<u>1,205,226,725</u>
<b>SCHEDULE 8 : CASH AND BANK BALANCES</b>		
Cash on hand	46,957	908
Balances with Scheduled Banks		
In Current Accounts	70,354,166	169,182,901
In Deposit Accounts	16,811,500	-
	<u>87,212,623</u>	<u>169,183,809</u>
<b>SCHEDULE 9 : OTHER CURRENT ASSETS</b>		
Income Accrued but not due	<u>20,253,750</u>	<u>10,800,000</u>
<b>SCHEDULE 10 : LOANS AND ADVANCES</b>		
<b>Unsecured</b>		
(Considered good, unless otherwise stated)		
Advances recoverable in cash or in kind or for value to be received :		
Balance with Customs Authorities	267,924,734	231,925,754
Advance payment of tax (net of provisions)	175,000,000	175,000,000
	<u>588,136,428</u>	<u>328,120,122</u>
	<u>1,031,061,162</u>	<u>735,045,876</u>
<b>SCHEDULE 11 : CURRENT LIABILITIES</b>		
Sundry Creditors		
Micro and Small Enterprise	-	-
Others	934,098,639	1,493,501,836
	<u>934,098,639</u>	<u>1,493,501,836</u>
Due to Holding company	15,147,604	5,937,240
Other Liabilities	320,564,690	369,834,919
	<u>1,269,810,933</u>	<u>1,869,273,995</u>
<b>SCHEDULE 12 : PROVISIONS</b>		
Compensated Absence	1,232,255	964,499
	<u>1,232,255</u>	<u>964,499</u>

## SONATA INFORMATION TECHNOLOGY LIMITED

Schedules attached to and forming part of the accounts as at 31st March 2010

(Rs)

	YEAR ENDED 31.03.2010	YEAR ENDED 31.03.2009
<b>SCHEDULE 13 : SALES AND SERVICES (NET)</b>		
Sales	4,831,403,733	6,203,358,643
Services	204,657,364	187,569,968
	<b>5,036,061,097</b>	<b>6,390,928,611</b>
<b>SCHEDULE 14 : OTHER INCOME</b>		
Interest received (Tax Deducted at Source is Rs. 21,241 Previous year Rs. 293,157)	2,912,040	5,180,337
Foreign Exchange Variation (net)	15,506,831	-
Excess Provision no longer required (Net)	325,073	-
Service tax Input written back	-	13,366,903
Dividend Received	222,898	1,078,787
Miscellaneous Income	1,669,626	2,518,148
	<b>20,636,468</b>	<b>22,144,175</b>
<b>SCHEDULE 15 : OPERATING AND OTHER EXPENSES</b>		
Salaries, Wages, Bonus and Allowances (Including Directors remuneration)	192,153,706	190,664,181
Contribution to Provident Fund and other Funds	3,937,315	5,012,194
Staff Welfare Expenses	616,928	455,656
	<b>196,707,949</b>	<b>196,132,031</b>
Power and Fuel	817,656	659,947
Rent	11,354,366	10,933,796
Rates & Taxes	346,789	1,450,205
Insurance	247,484	356,116
Repairs to :		
Plant and Machinery	449,032	52,017
Others	3,265,049	3,982,828
	<b>3,714,081</b>	<b>4,034,845</b>
Travelling and Conveyance Expenses	10,778,432	8,552,049
Legal, Professional and Technical Fees	17,082,223	11,773,860
Communication Cost	5,329,761	6,615,397
Auditors Remuneration		
Audit Fees	400,000	400,000
Certification fees	100,000	100,000
	<b>500,000</b>	<b>500,000</b>
Royalty	-	571,630
Commission on Sales	4,013,996	9,240,226
Miscellaneous Expenses	11,723,578	10,283,516
Foreign exchange variation (net)	-	1,006,576
Loss on fixed assets discarded	8,220	39,560
Service charges paid to holding company	130,664,264	161,074,199
	<b>393,288,799</b>	<b>423,223,953</b>
<b>SCHEDULE 16 : INTEREST</b>		
Interest	26,409,395	16,026,442
	<b>26,409,395</b>	<b>16,026,442</b>
<b>SCHEDULE 17 : ( INCREASE)/DECREASE IN STOCKS</b>		
<b>Opening Stock</b>		
Finished Products	28,890,814	104,516,372
	<b>28,890,814</b>	<b>104,516,372</b>
<b>Closing Stock</b>		
Finished Products	77,286,576	28,890,814
	<b>77,286,576</b>	<b>28,890,814</b>
<b>(Increase)/ Decrease in Stocks</b>	<b>(48,395,762)</b>	<b>75,625,558</b>

**SONATA INFORMATION TECHNOLOGY LIMITED**  
**SCHEDULE 18: NOTES FORMING PART OF THE ACCOUNTS**

**1. SIGNIFICANT ACCOUNTING POLICIES**

**a) FIXED ASSETS AND DEPRECIATION**

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

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

	Rates of Depreciation	
	Sch. XIV Rate	Rate Adopted
Computers & Software	16.21 %	33.33 %

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

**b) 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) REVENUE RECOGNITION**

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 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" effective financial year commencing 1<sup>st</sup> April 2008. 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. Fair value hedges taken are recognized directly in to the profit and loss account.

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 employee benefit :

Short term employee benefits are recognized in the profit and loss account relating to the year in which the employee has rendered services.

(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 not provided for on disputed Income Tax demands (Inclusive of Interest Charged) Rs.957,917,339 (Rs.Nil). –explained below

2.1 An amount of Rs 21.82 crores has arisen on account of an adverse decision given by the High Court of Karnataka holding that the Company failed to deduct tax at source on amounts paid to overseas suppliers on purchase of software. Based on legal opinion of a Senior Counsel, the Company has preferred an appeal before the Supreme Court and the same has been admitted and stay granted on the demand. Subsequently, the Delhi High Court and the Authority on Advance Ruling have on similar set of facts has taken a view which is favorable to the Company.

Further, one of the principal suppliers of software to the Company has paid Rs 12.86 crores out of above mentioned demand thus reducing the Company's liability.

2.2 An amount of Rs 73.97 crores represents demands raised by the Income-tax officer at the initial assessment level for the financial year 2006-07. The Company has preferred an appeal to the Commissioner of Income Tax (Appeals) against the aforementioned demand. The substantial issues leading to this demand is on account of the 'disallowance of expenditure on which tax has not been deducted at source'. This issue is in principle connected to 2.1 above.

3 Contingent Liability is respect of Karnataka Sales Tax A.Y.2001-02 is Rs.2,94,017 out of which company has paid Rs.1,47,009.

4. Estimated amount of contracts remaining to be executed and not provided (net of advances)  
Rs. Nil (Nil)

5. Remuneration and perquisites to AVP & Director

	31.3.2010	31.3.2009
Salary	3,150,542	3,125,443
Contribution to PF & Superannuation Fund	209,920	209,920
Reimbursement of Medical & Education Expenses	15,000	27,000
Other Perquisites as calculated under IT Act, 1961	5,968	5,968
<b>Total</b>	<b>3,381,430</b>	<b>3,368,331</b>

6. Value of Imports calculated on CIF basis

Traded Goods	3,512,208,453	3,803,938,488
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7. Expenditure incurred in Foreign currency on account of

Traveling	940,861	2,761,682
Royalty	-	571,630
	<b>940,861</b>	<b>3,333,312</b>

8. Earnings in Foreign Exchange

Software services rendered	17,53,330	7,777,903
Sales Traded Products	99,461,585	93,631,606
	101,214,914	101,409,509

9. Income from sales and services includes loss on account of exchange fluctuation of Rs.28,96,502 for the current year ended 31<sup>st</sup> March 2010 and gain of Rs Rs.16,209,017 for previous year ended 31<sup>st</sup> March 2009.

10. QUANTITY AND VALUE PARTICULARS OF TRADING ACTIVITIES FOR THE YEAR ENDING 31<sup>st</sup> March, 2010.

Particulars	Opening Stock		Purchases		Sales		Closing Stock	
	Qty	Value (Rs.)	Qty	Value (Rs.)	Qty	Value (Rs.)	Qty	Value (Rs.)
Computer Software Packages	18,112 (19,444)	28,890,814 (104,516,372)	5,561,167 (4,495,036)	4,562,361,832 (5,758,975,292)	5,522,775 (4,496,368)	4,831,403,733 (6,203,358,643)	56,504 (18,112)	77,286,576 (28,890,814)

11. Provision for taxation for the year ended 31st March, 2010 consists of following:

Rs.

Income Tax	41,156,203 (45,905,000)
Deferred Taxes: DTL	(2,056,045) (-337,307)
Fringe Benefit tax	- (1,080,000)
Total	39,100,158 (46,647,693)

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

	DTA	DTL	Net DTA/(DTL)
Depreciation	(-)	-322,601	-322,601
	(-)	(-803,850)	(803,850)
Others	1,574,796	-	1,574,796
	(-)	(-)	(-)
Total	1,574,796 (-)	322,601 (803,850)	1,252,195 (803,850)

13. The working capital facility of the Company is from Standard Chartered Bank is secured by pari passu first charge by way of hypothecation of current assets, inventories and book debts both present and future and from Citi Bank secured by hypothecation of stocks and book debts both present and future, the charge is in the process of registration.

#### 14. 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.

From the financial year commencing 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. Fair value hedges taken are recognized directly in to the profit and loss account.

As at 31st March 2010, the Company recognized Rs. 92.96 lakhs (Nil) into "Hedging Reserve" due to changes in fair value of the effective cash flow hedges and Fair value hedges recognized directly in to the profit and loss account for the year amounts to 113.74 lakhs (Rs.18 Lakhs)

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

## 16. Related Party Transaction

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

### Remuneration of AVP & Director

(Rs.)

Name	Salaries
Sujit Mohanty	3,381,430 (3,368,331)

### 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:

Amount in Rs.

	Balance as on 01.04.09	Transaction during the year	Amount received/paid during the year	Balance as on 31.03.10
Sales	-	24,293,864	24,293,864	-
	-	(9,174,330)	(9,174,330)	-
Deputation Expenses	1,679,556	110,782,495	98,893,681	13,568,370
	-	(109,584,867)	(107,905,311)	(1,679,556)
Service charges	(6,841,231)	130,664,264	130,664,264	-
		(161,074,199)	(167,915,430)	-
Inter Corporate Deposit given	-	-	-	-
	-	(110,000,000)	(110,000,000)	-
Interest on Inter corporate Deposit given	-	-	-	-
	-	(554,063)	(554,063)	-
Inter Corporate Deposit taken	-	715,000,000	550,000,000	165,000,000
	-	(120,000,000)	(120,000,000)	-
Interest on Inter corporate Deposit taken	-	12,332,468	12,332,468	-
	-	(357,945)	(357,945)	-
Others	4,257,684	21,794,108	24,472,558	1,579,234
	(2,563,434)	(3,400,980)	(1,706,730)	(4,257,684)
<b>Total</b>	<b>5,937,240</b> <b>(9,404,665)</b>	<b>1,014,867,198</b> <b>(514,146,384)</b>	<b>840,656,834</b> <b>(517,613,809)</b>	<b>180,147,604</b> <b>(5,937,240)</b>

Sonata Software Ltd has given corporate guarantee to IBM Ltd on behalf of Sonata Information Technology Limited for a value of Rs.5 Crores.

**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, 2010 as follows:

<b>Sonata Software FZ LLC</b>				
	Balance as on 01.04.09	Transaction during the year	Amount received/paid during the year	Balance as on 31.03.10
Sale	-	3,761,860	2,514,750	1,247,110

17 Employee Benefits:

<b>Gratuity</b>			
<b>(a) Defined benefit plan (Funded) - As per actuarial valuation as on March 31, 2010</b>			
		<b>Rs. 2010</b>	<b>Rs. 2009</b>
<b>I</b>	<b>Change in Obligation during the year ended March 31,2010</b>		
1	Present value of Defined Benefit Obligation at beginning of the year	6,658,520	6,154,703
2	Current Service Cost	777,053	793,546
3	Interest Cost	517,796	535,118
4	Actuarial (Gains)/Losses	(913,636)	(306,302)
5	Benefits Paid	(1,063,243)	(518,545)
6	Present value of Defined Benefit Obligation at the end of the year	5,976,490	6,658,520
<b>II</b>	<b>Change in Assets during the Year ended March 31, 2010</b>		
1	Plan assets at the beginning of the year	8,124,651	4,391,201
2	Expected return on plan assets	685,295	682,751
3	Contributions by Employer	973,162	4,402,461
4	Actual benefits paid	(1,063,243)	(518,545)
5	Actuarial Gains/ (Losses)	1,125,187	(833,217)
6	Plan Assets at the end of the year	9,845,052	8,124,651
<b>III</b>	<b>Net Asset/(Liability) recognized in the Balance Sheet as at March 31, 2010</b>		
1	Present Value of Defined Benefit Obligation	5,976,490	6,658,520
2	Fair value of plan assets	9,845,052	8,124,651
3	Fund status (Surplus/(Deficit))	3,868,562	1,466,131
4	Net Assets /(Liability)	3,868,562	1,466,131
<b>IV</b>	<b>Expenses recognized in the statement of Profit &amp; Loss for the year ended March 31, 2010</b>		
1	Current Service Cost	777,053	793,546
2	Interest Cost	517,796	535,118
3	Expected return on plan assets	(685,295)	(682,751)
4	Net Actuarial (Gains)/Losses	(2,083,823)	526,915
5	Total Expense	(1,429,269)	1,172,828
<b>V</b>	<b>The major categories of plan assets as a percentage of total plan</b>		
	Insurer Managed Funds	100%	100%
<b>VI</b>	<b>Actuarial Assumptions:</b>		
1	Discount Rate	8.25%	7.50%
2	Expected rate of return on plan assets	8%	8%
	Mortality Table	LIC (1994-96) Ultimate	LIC (1994-96) Ultimate
3		58 to 60 Years	58 to 60 Years
4	Retirement Age	as applicable	as applicable

Amount recognized as an income and included in Schedule 14 under "Miscellaneous Income"

(b) The Guidance issued by the Accounting Standard Board (ASB) on implementing AS-15, Employee benefits (revised 2005) states that provident funds set up by employers which requires interest short fall to be met by the employer, needs to be treated as defined benefit plan.

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.		
	31/03/2010	31/03/2009	31/03/2008
Present value of Defined benefit obligation	5,976,490	6,658,520	6,154,703
Fair Value of Plan Assets	9,845,052	8,124,651	4,391,201
Surplus / (deficit)	3,868,562	1,466,131	(1763502)

(f) Estimated Contribution for the next year on account of gratuity Rs Nil

(g) Contribution/Provisions to superannuation and other funds stated under defined contribution plan is Rs.1,228,347 (Rs.1,202,340)

**18.** 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.

## 19. 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 11,107,576 (Rs. 9,952,210).

As of 31st March, 2010 future minimum lease payments for non-cancelable operating leases for the next five fiscal years are provided below.

Year	Amount in Rs.
2010-2011	3,020,402
2011-2012	238,000
2012-2013	228,516

As per our Report annexed

For and on behalf of the Board

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

**Y.N. THAKKAR**  
Partner

**B. RAMASWAMY**  
Director

**P. SRIKAR REDDY**  
Director

**BRIJENDRA K. SYNGAL**  
Director

**SUJIT MOHANTY**  
AVP & Director

**FEROZA BYRAMJI**  
Company Secretary

Bangalore, 18<sup>th</sup> April 2010

## SONATA INFORMATION TECHNOLOGY LIMITED

## CASH FLOW STATEMENT

(Rs)

	YEAR ENDED	YEAR ENDED
	31.03.2010	31.03.2009
<b>A. CASH FLOW FROM OPERATING ACTIVITIES:</b>		
<b>Net Profit before Tax</b>	<b>115,297,677</b>	<b>132,172,987</b>
Adjustments for:		
Depreciation	2,995,116	4,085,003
Interest paid	26,409,395	16,026,442
Interest Received	(335,137)	(5,180,337)
Provision for Doubtful Debts	4,740,508	2,963,551
Excess Provision no longer required (Net)	(325,073)	-
Service tax Input written back	-	(13,366,903)
(Profit)/Loss on sale of Fixed Assets	8,220	39,560
Loss on assets discarded	-	-
Dividend received	(222,898)	(1,078,787)
<b>Operating Profit before working capital changes</b>	<b>148,567,808</b>	<b>135,661,516</b>
Adjustments for:		
Decrease/(Increase) in Sundry Debtors	414,536,446	(282,416,034)
Decrease/(Increase) in Inventories	(48,395,762)	75,625,558
Decrease/(Increase) in Other current assets	(9,453,750)	(5,900,000)
Decrease/(Increase) in Loans and Advances	(344,114,325)	(635,066,491)
(Decrease)/Increase in Current Liabilities & Provisions	(598,870,233)	550,212,933
(Decrease)/Increase in Deferred Tax Liability	(803,850)	(337,307)
Decrease/(Increase) in Deferred Tax Asset	(1,252,195)	-
<b>Cash generated from operations:</b>	<b>(439,785,861)</b>	<b>(162,219,825)</b>
Interest paid	(26,409,395)	(16,026,442)
Direct taxes / Advance tax paid	(297,000)	(1,339,000)
<b>Net Cash from operating activities</b>	<b>(A) (466,492,256)</b>	<b>(179,585,267)</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Dividend received	222,898	1,078,787
Interest Received	335,137	5,180,337
Purchase of Fixed Assets	(36,964)	(1,884,044)
Sale of Fixed Assets	(1)	128,130
Sale of Investments	195,222,898	591,325,237
Purchase of Investments	(195,222,898)	(411,078,788)
<b>Net Cash used in Investing Activities</b>	<b>(B) 521,070</b>	<b>184,749,659</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Inter Corporate Loan from holding Company	165,000,000	-
Borrowings from banks - Working capital facility	219,000,000	-
<b>Net cash from financing activities</b>	<b>(C) 384,000,000</b>	<b>-</b>
<b>Net increase/(decrease) in Cash and Cash Equivalents</b>	<b>(A+B+C) (81,971,186)</b>	<b>5,164,392</b>
<b>Opening Cash and Cash equivalents</b>	<b>169,183,809</b>	<b>164,019,417</b>
<b>Closing Cash and Cash equivalents</b>	<b>87,212,623</b>	<b>169,183,809</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

**SONATA INFORMATION TECHNOLOGY LIMITED**

	YEAR ENDED	YEAR ENDED
	31.03.2010	31.03.2008
Cash on hand and balance with banks	88,553,653	173,281,166
<b>Cash and Cash Equivalents</b>	<b>88,553,653</b>	<b>173,281,166</b>
Effect of exchange rate change	(1,341,030)	(4,097,357)
<b>Cash and Cash Equivalents as restated</b>	<b>87,212,623</b>	<b>169,183,809</b>

2 The Company has undrawn borrowing facilities of Rs. 7150 Laacs

3 Direct taxes / Advance tax paid during the year ended 31.03.2010 amounted to Rs. 2.97 lacs

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

As per our Report annexed

For and on behalf of the Board

For N M RAIJI & Co.  
Chartered Accountants

For Sonata Information Technology Limited

Y N THAKKAR  
Partner

B RAMASWAMY  
Director

P SRIKAR REDDY  
Director

BRIJENDRA K. SYNGAL  
Director

SUJIT MOHANTY  
AVP & Director

FEROZA BYRAMJI  
Company Secretary

Bangalore, 18th April, 2010