

**SONATA INFORMATION TECHNOLOGY LIMITED**  
**CONDENSED BALANCE SHEET AS AT 30TH SEPTEMBER 2011**

	(Rs)		
SCHEDULE	AS AT 30.09.2011	AS AT 30.09.2010	AS AT 31.03.2011
<b>SOURCES OF FUNDS</b>			
<b>SHAREHOLDER'S FUNDS</b>			
Share Capital	33,753,940	33,753,940	33,753,940
Reserves and Surplus	394,146,547	382,592,788	412,306,708
	<u>427,900,487</u>	<u>416,346,728</u>	<u>446,060,648</u>
<b>LOAN FUNDS</b>			
Secured Loans	284,582,264	445,815,283	307,646,720
Unsecured Loans	683,500,000	280,000,000	194,000,000
	<u>968,082,264</u>	<u>725,815,283</u>	<u>501,646,720</u>
<b>TOTAL FUNDS EMPLOYED</b>	<u><u>1,395,982,751</u></u>	<u><u>1,142,162,011</u></u>	<u><u>947,707,368</u></u>
<b>APPLICATION OF FUNDS</b>			
<b>Fixed Assets</b>			
Tangible fixed assets	3,497,110	3,061,411	3,609,951
<b>Deferred Tax Asset</b>	<b>10,003,725</b>	<b>4,810,574</b>	<b>4,629,282</b>
<b>Current Assets, Loans and Advances</b>			
Inventories	13,686,450	339,933,599	22,054,239
Sundry Debtors	1,819,649,102	1,733,708,719	900,173,232
Cash and Bank Balances	122,014,093	106,994,291	103,957,546
Other Current Assets	13,352,999	34,987,735	19,019,697
Loans and Advances	971,380,735	721,466,121	967,047,045
	<u>2,940,083,379</u>	<u>2,937,090,465</u>	<u>2,012,251,759</u>
<b>Less: Current Liabilities and Provisions</b>			
Current Liabilities	1,556,078,732	1,801,706,111	1,071,289,003
Provisions	1,522,731	1,094,328	1,494,621
	<u>1,557,601,463</u>	<u>1,802,800,439</u>	<u>1,072,783,624</u>
<b>NET CURRENT ASSETS</b>	<b>1,382,481,916</b>	<b>1,134,290,026</b>	<b>939,468,135</b>
<b>TOTAL FUNDS APPLIED</b>	<u><u>1,395,982,751</u></u>	<u><u>1,142,162,011</u></u>	<u><u>947,707,368</u></u>

SELECTED EXPLANATORY NOTES  
FORMING PART OF ACCOUNTS

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As per our Report annexed

By the Order of Board of Directors

For N M RAIJI & Co.  
Chartered Accountants

For Sonata Information Technology Limited

CA Y N THAKKAR  
Partner  
Membership No 33329

SUJIT MOHANTY  
AVP & Director

Mumbai 3rd November 2011

SONATA INFORMATION TECHNOLOGY LIMITED  
CONDENSED PROFIT AND LOSS ACCOUNT FOR THE HALF YEAR 30TH SEPTEMBER 2011

(Rs)

SCHEDULE	QUARTER ENDED 30.09.2011	QUARTER ENDED 30.09.2010	HALF YEAR ENDED 30.09.2011	HALF YEAR ENDED 30.09.2010	YEAR ENDED 31.03.2011
<b>INCOME</b>					
Sales and Services (Net)	1,870,599,154	1,885,894,124	3,136,080,330	3,237,706,861	5,989,472,946
Other Income	37,794,527	372,592	39,432,863	7,841,460	71,174,783
<b>Total Income</b>	<b>1,908,393,681</b>	<b>1,886,266,716</b>	<b>3,175,513,193</b>	<b>3,245,548,321</b>	<b>6,060,647,729</b>
<b>EXPENDITURE</b>					
Salaries, wages and other staff costs	67,628,144	54,229,475	127,276,608	103,447,202	215,584,115
Other operating expenses	71,008,316	77,091,474	154,262,176	156,606,853	338,225,909
Purchase of traded items	1,747,444,802	1,977,229,365	2,859,588,319	3,143,640,166	5,286,283,001
Finance cost	32,256,667	10,347,008	48,035,004	21,127,757	39,787,801
Depreciation	291,181	505,737	488,839	1,131,675	1,594,956
(Increase)/ Decrease in Stocks	(2,872,883)	(275,155,447)	8,367,789	(262,647,023)	55,232,337
	<b>1,915,756,227</b>	<b>1,844,247,612</b>	<b>3,198,018,735</b>	<b>3,163,306,630</b>	<b>5,936,708,118</b>
<b>Profit Before Tax</b>	<b>(7,362,546)</b>	<b>42,019,104</b>	<b>(22,505,542)</b>	<b>82,241,691</b>	<b>123,939,611</b>
Provision for Tax	(1,648,258)	13,782,386	(4,345,381)	27,137,847	39,121,847
<b>Profit after Tax</b>	<b>(5,714,288)</b>	<b>28,236,718</b>	<b>(18,160,161)</b>	<b>55,103,844</b>	<b>84,817,764</b>
Add : Balance of Profit brought forward from previous period					301,235,884
Disposable Surplus					<b>386,053,648</b>
<b>Balance Carried to Balance Sheet</b>					<b>386,053,648</b>
<b>SELECTED EXPLANATORY NOTES 1</b>					
<b>FORMING PART OF ACCOUNTS</b>					
EPS - Basic (on Rs.10 per share)	(1.69)	8.37	(5.38)	16.33	25.13
EPS - Diluted (on Rs.10 per share)	(1.69)	8.37	(5.38)	16.33	25.13
EPS - Basic (Annualised) (on Rs.10 per share,	(6.77)	33.46	(10.76)	32.65	25.13
EPS - Diluted (Annualised) (on Rs.10 per share,	(6.77)	33.46	(10.76)	32.65	25.13

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SUJIT MOHANTY  
AVP & Director

Mumbai 3rd November 2011

SONATA INFORMATION TECHNOLOGY LIMITED  
CONDENSED CASH FLOW STATEMENT

		(Rs)				
		QUARTER ENDED 30.09.2011	QUARTER ENDED 30.09.2010	HALF YEAR ENDED 30.09.2011	HALF YEAR ENDED 30.09.2010	YEAR ENDED 31.03.2011
Cash flows from operating activities	(A)	(402,730,781)	(391,513,700)	(406,608,444)	(300,752,422)	(61,023,171)
Cash flows from investing activities	(B)	1,944,044	(155,147)	1,568,044	(153,436)	(90,826)
Cash flows from financing activities	(C)	379,741,613	319,379,536	423,096,947	320,687,526	77,858,919
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>(A+B+C)</b>	<b><u>(21,045,124)</u></b>	<b><u>(72,289,311)</u></b>	<b><u>18,056,547</u></b>	<b><u>19,781,668</u></b>	<b><u>16,744,923</u></b>
<b>Opening Cash and Cash equivalents</b>		<b>143,059,217</b>	<b>179,283,602</b>	<b>103,957,546</b>	<b>87,212,623</b>	<b>87,212,623</b>
<b>Closing Cash and Cash equivalents</b>		<b>122,014,093</b>	<b>106,994,291</b>	<b>122,014,093</b>	<b>106,994,291</b>	<b>103,957,546</b>

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Mumbai 3rd November 2011

**SONATA INFORMATION TECHNOLOGY LIMITED**

**SCHEDULE 1 : SELECTED EXPLANATORY NOTES FORMING PART OF THE ACCOUNTS**

1. There are no changes in the accounting policies during the half year ended 30th September, 2011. The significant accounting policies of the company relate to fixed asset and depreciation, investments, inventories, services, foreign currency transactions and retirement benefits.

2. Significant changes in Contingent Liabilities not provided for :

(1) Disputed Income Tax demands Rs. 142.40 Cr  
(Inclusive of Interest Charged as per original order)

The Supreme Court by its order of September 9, 2010 overruled the order of the High Court of Karnataka which had earlier held that irrespective of the nature of payment, in the absence of a lower withholding order, income-tax had to be withheld on all payments made to overseas parties. Further the Supreme Court remanded the cases back to the High Court of Karnataka for a fresh review and to examine whether payments made to overseas parties for purchase of software was in the nature of 'Royalty' and if so whether tax had to be withheld on the same. Subsequently the High Court of Karnataka has pronounced the judgement on 15th October 2011 that the payments made for software imports are in the nature of Royalty and TDS needs to be deducted on the same. Against this order the Company shall prefer an Special Leave Petition before Supreme Court.

i. Rs.21.82 crores as tax which had not been deducted by the Company on payments made to overseas parties for purchase of software for the Financial Years 2000-2001 & 2001 2002. However, for these years one of the principal suppliers of software to the Company has paid Rs.12.86 crores out of the above demand.

ii. Rs.32.40 crores of tax demand for the Financial Years 2001-02 on account of disallowances of payments made for purchase of software on which tax had not been deducted at source. This demand is consequential to 'tax deduction at source on royalty' issue discussed in point (i) above

iii. For the financial years 2000-2001 and 2002-2003, the issue regarding disallowance of payments made for purchase of software was raised by the Department to the High Court of Mumbai. The High Court had dismissed these appeals as being 'time barred'. The Total demand for the aforementioned years for which the appeals were dismissed by the High Court is Rs 82.48 crores. On a special leave petition filed by the Department, the Supreme Court has now referred back to High Court of Mumbai to reconsider the dismissal for the Financial Year 2002-03. Since these appeals are either pending admission or have been dismissed, we have not disclosed the same as contingent liability.

iv. For the F.Y.2006-07 Rs. 65.63 crores of initial tax demand from ITO on account of disallowances of payments made for purchase of software on which tax had not been deducted at source has not been considered as contingent liability as the company has received a favourable order from CIT (A).

v. Rs. 88.18 crores of tax demand for the Financial Year 2007-2008 on account of disallowances of payments made for purchase of software on which tax had not been deducted at source. The Company's appeal is pending before CIT (A).

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

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**By the Order of Board of Directors**

**For N M RAIJI & Co.**

**For Sonata Information Technology Limited**

Chartered Accountants

**CA Y N THAKKAR**

**SUJIT MOHANTY**

Partner

AVP & Director

Membership No 33329

**Mumbai 3rd November 2011**