

SONATA SOFTWARE LIMITED

CONDENSED CONSOLIDATED BALANCE SHEET AS AT 30TH SEPTEMBER, 2011

(Rs)

	SCHEDULE	AS AT 30.09.2011	AS AT 30.09.2010	AS AT 31.03.2011
SOURCES OF FUNDS				
Shareholder's Funds				
Share Capital		105,159,306	105,159,306	105,159,306
Reserves and Surplus		3,946,819,508	3,752,443,231	3,967,154,497
		4,051,978,814	3,857,602,537	4,072,313,803
Minority Interest		174,268,654	441,353,332	383,396,798
Loan Funds				
Secured Loans		284,582,264	445,815,283	307,646,720
TOTAL FUNDS EMPLOYED		4,510,829,733	4,744,771,152	4,763,357,321
APPLICATION OF FUNDS				
Fixed Assets				
Tangible Fixed Assets		890,373,621	817,372,045	783,169,518
Intangible Fixed Assets		950,333,911	952,327,825	951,424,618
		1,840,707,533	1,769,699,870	1,734,594,136
Investments		24,573,171	385,693,635	191,841,829
Deferred Tax Asset		115,929,411	148,250,012	166,579,270
Current Assets, Loans and Advances				
Inventories		67,000,290	419,847,780	101,845,657
Sundry Debtors		3,385,066,508	2,827,086,783	2,043,731,826
Cash and Bank Balances		857,478,581	1,295,937,115	1,491,663,166
Other Current Assets		97,719,261	135,003,511	106,128,454
Loans and Advances		1,796,265,791	2,273,874,869	1,881,597,983
		6,203,530,430	6,951,750,058	5,624,967,086
Less: Current Liabilities and Provisions				
Current Liabilities		2,757,774,964	3,738,616,972	2,065,923,793
Provisions		916,135,849	772,005,451	888,701,207
		3,673,910,813	4,510,622,423	2,954,625,000
Net Current Assets		2,529,619,617	2,441,127,635	2,670,342,086
TOTAL FUNDS APPLIED		4,510,829,733	4,744,771,152	4,763,357,320
SELECTED EXPLANATORY NOTES FORMING PART OF ACCOUNTS				
1				
As per our Report annexed		By Order of the Board of Directors		
For N M RAIJI & Co. Chartered Accountants		For Sonata Software Limited		
Y N THAKKAR Partner Membership No 33329		SANJAY VISWANATHAN CEO & Managing Director		
Mumbai: 3rd November, 2011				

SONATA SOFTWARE LIMITED

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE HALF YEAR ENDED 30TH SEPTEMBER, 2011

	(Rs)				
	QUARTER ENDED	QUARTER ENDED	HALF YEAR ENDED	HALF YEAR ENDED	YEAR ENDED
SCHEDULE	30.09.2011	30.09.2010	30.09.2011	30.09.2010	31.03.2011
INCOME					
Sales & Services (Net)	3,849,222,877	3,911,372,928	7,189,192,050	7,244,432,650	13,931,965,392
Other Income	51,343,688	7,552,856	106,556,180	22,979,442	177,520,059
Total Income	<u>3,900,566,566</u>	<u>3,918,925,784</u>	<u>7,295,748,230</u>	<u>7,267,412,092</u>	<u>14,109,485,451</u>
EXPENDITURE					
Salaries, Wages & Other staff costs	1,146,200,029	1,055,047,590	2,269,080,445	2,060,427,014	4,190,024,147
Other Operating Expenses	742,510,034	744,247,805	1,611,695,528	1,504,003,002	3,016,963,711
Purchase of traded items	1,748,934,440	1,984,358,218	2,863,991,133	3,166,618,746	5,286,130,941
Finance costs	31,777,993	14,299,389	49,974,150	31,062,913	56,872,232
Depreciation	115,708,978	95,498,156	220,875,357	192,000,455	386,908,953
(Increase)/ Decrease in Stocks	28,211,198	(297,148,681)	34,845,366	(272,570,204)	45,431,920
	<u>3,813,342,672</u>	<u>3,596,302,478</u>	<u>7,050,461,979</u>	<u>6,681,541,927</u>	<u>12,982,331,904</u>
Profit Before Tax	87,223,894	322,623,306	245,286,252	585,870,165	1,127,153,547
Provision for Tax	(33,455,988)	71,674,091	68,160,411	150,284,756	249,962,485
MAT credit	-	(23,875,414)	-	(48,933,614)	(82,804,684)
Profit After Tax before minority interest/ share or earning in affiliates	<u>120,679,882</u>	<u>274,824,630</u>	<u>177,125,840</u>	<u>484,519,023</u>	<u>959,995,746</u>
Share in earning of affiliates	-	-	-	-	4,039,786
Minority Interest	(29,837,602)	(24,403,420)	2,161,396	(51,765,650)	(107,939,173)
Profit After Tax after minority interest/share of earning in affiliates	<u>90,842,280</u>	<u>250,421,210</u>	<u>179,287,236</u>	<u>432,753,373</u>	<u>856,096,359</u>
Add: Balance of Profit brought forward			2,841,109,955	2,330,562,040	2,330,562,040
Disposable Surplus	<u>90,842,280</u>	<u>250,421,210</u>	<u>2,833,696,361</u>	<u>2,763,315,413</u>	<u>3,186,658,399</u>
Proposed Dividend			-	-	105,159,306
Interim Dividend			52,579,653	105,159,306	105,159,306
Provision for Dividend Tax			8,529,734	17,465,909	34,525,377
Transfer to General Reserve			-	-	70,000,000
Balance Carried to Balance Sheet			2,772,586,974	2,640,690,197	2,871,814,410
			<u>2,833,696,361</u>	<u>2,763,315,412</u>	<u>3,186,658,399</u>
EPS - Basic (on Re.1 per share)	0.86	2.38	1.70	4.12	8.14
EPS - Diluted (on Re.1 per share)	0.86	2.38	1.70	4.12	8.14
EPS - Basic (Annualised)(on Re 1 per share)	3.44	9.52	3.40	8.24	8.14
EPS - Diluted (Annualised) (on Re.1 per share)	3.44	9.52	3.40	8.24	8.14

SELECTED EXPLANATORY NOTES

FORMING PART OF ACCOUNTS

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As per our Report annexed

By Order of the Board of Directors

For N M RAIJI & Co.,
Chartered Accountants

For Sonata Software Limited

Y N THAKKAR

SANJAY VISWANATHAN

Partner

CEO & Managing Director

Membership No 33329

Mumbai: 3rd November, 2011

SONATA SOFTWARE LIMITED

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

(Rs)

PARTICULARS		QUARTER	QUARTER	HALF YEAR	HALF YEAR	YEAR
		ENDED	ENDED	ENDED	ENDED	ENDED
		30.09.2011	30.09.2010	30.09.2011	30.09.2010	31.03.2011
Cash flows from Operating Activities	(A)	(254,709,728)	114,363,223	(84,397,556)	594,090,654	1,141,647,316
Cash flows from Investing Activities	(B)	(177,661,163)	(169,036,390)	(147,178,718)	(39,153,458)	11,992,674
Cash flows from Financing Activities	(C)	(311,883,127)	(23,534,027)	(402,608,312)	9,921,578	(393,055,165)
Net increase/(decrease) in Cash and Cash Equivalents	(A+B+C)	<u>(744,254,018)</u>	<u>(78,207,194)</u>	<u>(634,184,586)</u>	<u>564,858,774</u>	<u>760,584,825</u>
Opening Cash & Cash Equivalents		1,601,732,599	1,374,144,309	1,491,663,166	731,078,341	731,078,341
Closing Cash & Cash Equivalents		857,478,581	1,295,937,115	857,478,581	1,295,937,115	1,491,663,166

As per our Report Annexed

By Order of the Board of Directors
For Sonata Software LimitedFor N M RAJI & Co.
Chartered AccountantsY N THAKKAR
Partner
Membership No 33329SANJAY VISWANATHAN
CEO & Managing Director

Mumbai: 3rd November, 2011

SONATA SOFTWARE LIMITED**Schedule 1: Selected Explanatory notes to Consolidated Financial Statements****Significant Accounting Policies**

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 & depreciation, investments, inventories, sales & services, foreign currency transactions & retirement benefits.

1. Segment Reporting

Amount in Rs.

Particulars	*Domestic	**International	Total
Segment Revenue	3,132,563,942	4,056,628,109	7,189,192,050
	(3,235,469,475)	(4,008,963,175)	(7,244,432,650)
Segment Result	30,278,658	264,981,743	295,260,401
	(109,869,429)	(506,883,087)	(616,752,516)
Segment Capital Employed	712,482,751	3,624,078,328	4,336,561,079
	(1,142,162,011)	(3,161,255,809)	(4,303,417,820)

Previous period's figures are shown in brackets

Geographical Areas:

* Domestic= India (Products & Services)

** International= Rest of the World (Export - Software Service and Products)

2. Significant changes in Contingent Liabilities not provided for

Sonata Software Limited

(a) Disputed Income Tax demands Rs. 93.17 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.15.79 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 1999-2000, 2000-2001 & 2001-2002. However, for these years one of the principal suppliers of software to the Company has paid Rs.8.79 crores out of the above demand.

ii. Rs.77.38 crores of tax demand for the Financial Years 1996-97, 1997-98, 1998-1999 & 1999-2000 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 TDS issue discussed in point (i) above

(b) KVAT from for Commercial Tax Department is NIL

Sonata Information Technology Limited

(1) Disputed Income Tax demands
(Inclusive of Interest Charged as per original order)

Rs. 142.40 Cr

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).

TUI Infotec GmbH

The Company has provided a letter of comfort with close security purpose to Commerzbank AG for an amount of Rs. 5.26 Cr towards credit approval granted to ACCOR-RVS Accounting & Consulting GmbH

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

As per our Report annexed

For N M RAJI & Co.
Chartered Accountants

Y N THAKKAR
Partner

By Order of the Board of Directors

For Sonata Software Limited

SANJAY VISWANATHAN
CEO & Managing Director

Mumbai: 3rd November, 2011