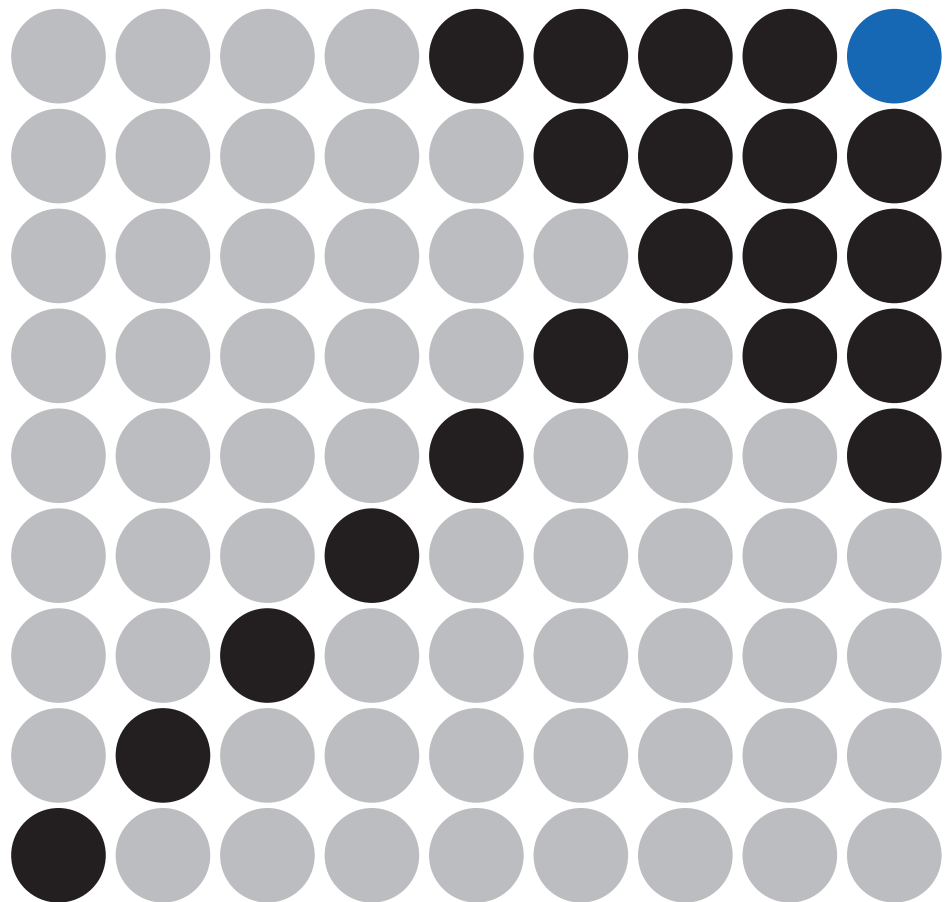


EMBRACING CHANGE



annual report 2009 - 2010

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 31.03.2010	Quarter ended on 31.03.2009	Quarter ended on 31.03.2010	Quarter ended on 31.03.2009	Year ended on 31.03.2010	Year ended on 31.03.2009	Year ended on 31.03.2010	Year ended on 31.03.2009
TOTAL INCOME	3,264.76	3,709.23	626.97	590.47	13,932.91	16,021.19	2,413.74	2,446.30
EXPORTS	2,066.38	2,183.22	626.97	589.27	8,768.39	9,520.74	2,360.94	2,435.77
EBIDT	399.12	360.29	168.76	150.29	1,710.86	1,627.95	694.80	650.55
PROFIT AFTER TAX	187.83	172.23	157.86	128.73	798.74	765.68	602.03	533.59
FIXED ASSETS	1,846.95	1,909.91	316.19	272.36	1,846.95	1,909.91	316.19	272.36
TOTAL DEBT	299.37	33.75	-	-	299.37	33.75	-	-
NET WORTH - CLOSING	3,736.98	2,768.03	3,019.79	2,238.26	3,736.98	2,768.03	3,019.79	2,238.26
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 31.03.2010	Quarter ended on 31.03.2009	Quarter ended on 31.03.2010	Quarter ended on 31.03.2009	Year ended on 31.03.2010	Year ended on 31.03.2009	Year ended on 31.03.2010	Year ended on 31.03.2009
EXPORTS INCOME/TOTAL INCOME	63.29%	58.86%	100.00%	99.80%	62.93%	59.43%	97.81%	99.57%
DOMESTIC INCOME/TOTAL INCOME	34.45%	40.45%	-	-	36.15%	39.89%	-	-
OTHER INCOME/TOTAL INCOME	2.26%	0.69%	-	0.20%	0.92%	0.68%	2.19%	0.43%
OPERATING EXPENSES / TOTAL INCOME	58.18%	53.19%	73.08%	71.93%	55.75%	53.25%	70.34%	72.29%
EBIDT/TOTAL INCOME	12.23%	9.71%	26.92%	25.45%	12.28%	10.16%	28.79%	26.59%
PAT/TOTAL INCOME	5.75%	4.64%	25.18%	21.80%	5.73%	4.78%	24.94%	21.81%
DEBT: EQUITY ¹	0.08	0.01	-	-	0.08	0.01	-	-
DEBTORS NO. OF DAYS	55	69	87	66	51	64	87	64
RETURN ON AVG NETWORTH ²	21.01%	25.22%	22.01%	23.14%	24.56%	30.28%	22.90%	25.23%
RETURN ON AVG CAPITAL EMPLOYED ³	21.88%	27.32%	22.01%	23.14%	25.32%	30.99%	22.90%	25.41%
EPS (Annualised) (on Re.1/per share) ⁴	7.14	6.55	6.00	4.90	7.60	7.28	5.72	5.07
BOOK VALUE PER SHARE -(Rs) ⁵	34.00	25.97	27.28	21.16	30.93	24.04	25.00	20.12

EXPLANATORY NOTES :

¹ Debt divided by Closing Shareholders funds.

² Profits divided by Average Networkth.

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

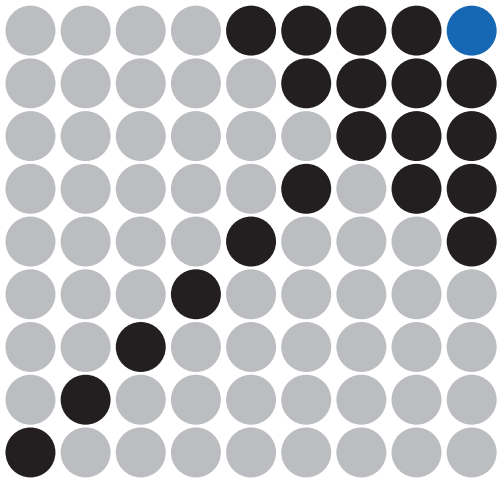
⁴ Profits divided by weighted average no. of equity shares.

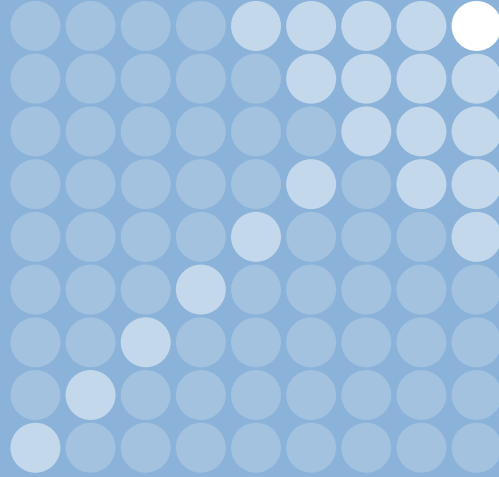
⁵ Average Networkth divided by No. of equity shares.

Embracing Change

The year 2009 - 2010 was clearly an extraordinary time for businesses around the world. It was a tough year by any measure, a year of incredible challenge and change. Several marketplace events during the past 12 to 18 months brought our industry to a critical inflection point. At a time when enterprises across the world were trying to make their IT budgets work harder, the demands of partners were severe. Emphasis was on maximizing the return on every dollar spent, which posed stiff challenges. At Sonata, we approached these industry changes as a sign of opportunity for our business. We moved early and fast to help our customers find new ways to lead, not merely stay afloat, in this changing environment. We transformed our business model, expanded our capabilities, enhanced our offerings, and invested in new and emerging growth areas to distinguish ourselves in our industry and optimize our business for continued profitable growth.

It is often said that in every challenge lies an opportunity waiting to be embraced. In today's world, the ability to change, to innovate and to surge ahead of the rest is what separates the better from the best. Over the years, Sonata has been able to prove its ability to embrace change, innovate and stand out in this highly competitive market. Our journey to excellence has been a hard-fought battle. We have successfully dealt with the challenges and obstacles that came our way as we evolved as an organization. Moving ahead, we remain intently focused on our customers and our other stakeholders so that we can continue to generate value for them while ensuring that we are well-positioned to take advantage of growth opportunities.





Responding to the Changing Needs

In the wake of the economic downturn, the customer landscape changed drastically. There was an increasing demand to do more with less. Throughout the year, we stayed close to our clients, adapting to their changing needs in areas such as cost management, operational excellence and customer retention. Our flexible engagement models helped our clients realize significant results and sustain growth in a challenging business environment. Our ability to innovate and execute has helped us develop enduring client relationships even in the face of uncertainties.

Maximizing Our Capabilities

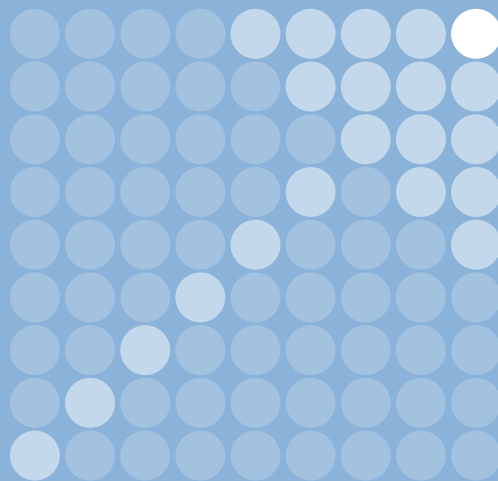
We believe in delivering innovation that can create growth opportunities for our stakeholders. We continuously upgrade our knowledge base, technology skills and resource capabilities so as to add significant business value to our clients, associates and employees. In a continually changing world, the business transformation needs of organizations are evolving continuously. Over the last year, we enhanced our domain and technology competencies to strike a balance between today's challenges and tomorrow's opportunities. We have also expanded our development facilities to significantly cater to our growth plans. We primarily focused on developing new technologies and solutions, which will have a major impact on the global technology landscape.

Strengthening Our Resources

Sonata is built and has grown on the strength of its people and high performance orientation that exists within the company. Delivering unique value to our customers, driving growth and managing our business efficiently have been the result of extraordinary teamwork demonstrated by Sonata employees worldwide. Led by an Executive Leadership team committed to drive sustainable growth and build long term value, we have been able to foster a dynamic and enriching environment. This, in turn, has motivated our employees to provide best-in-class services and develop innovative solutions to address some of our customers' most pressing business issues. The year saw us making significant investments in hiring specialists with deep industry knowledge in key verticals to respond instantaneously to our customers' changing requirements.

Fostering Growth

Growth is a challenge for any business, but never more so than during a downturn. That Sonata has been able to grow in such a climate is a testament to our strong foundation and our relentless focus on the customer. We have taken significant strategic steps that consolidated our leadership position in the mid-tier IT solutions provider category. We have worked on upgrading technology, re-training people, and re-orienting our processes and methodologies to solve problems that have the maximum impact on our customers' business. We have finally reached a juncture where opportunities are beckoning, and we need to ride the wave of accelerated growth and success!



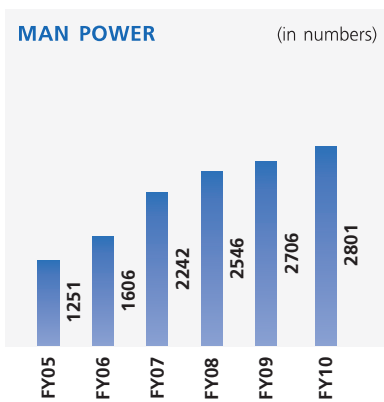
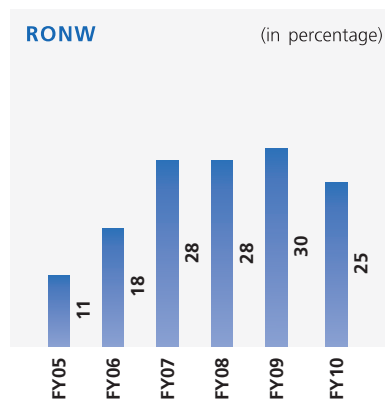
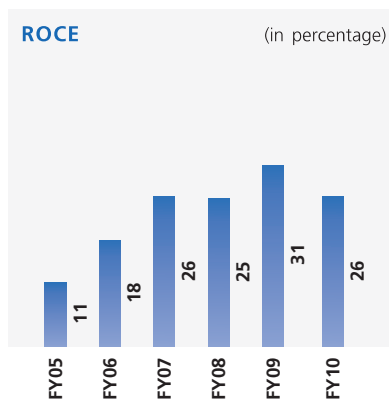
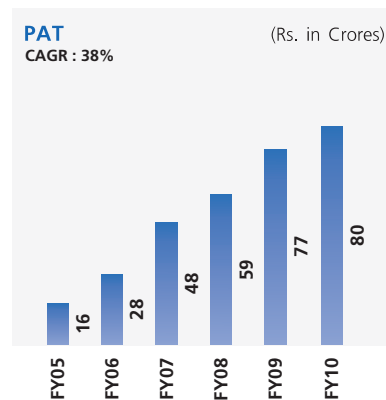
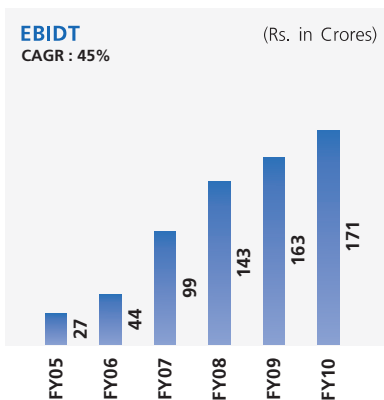
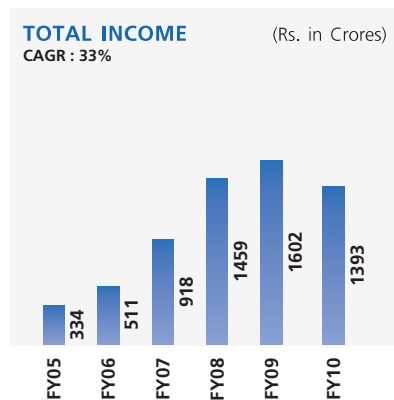
Sonata Software Limited (Consolidated)

Business Segment	International IT Services					Domestic Products & Services	TUI Infotec
Legal entity	Sonata Software Ltd India	Sonata Europe Ltd London	Sonata Software GmbH Germany	Sonata FZ LLC Dubai	Sonata Software North America	Sonata Information Technologies Ltd India	TUI Infotec GmbH Germany
Ownership Structure	Listed Indian entity	100% subsidiary of Sonata Software Ltd	100% subsidiary of Sonata Software Ltd	100% subsidiary of Sonata Software Ltd	100% subsidiary of Sonata Software Ltd	100% subsidiary of Sonata Software Ltd	50.1% Joint venture of Sonata Software Ltd and TUI Group
Nature of Business	<ul style="list-style-type: none"> • IT Consulting and Software Services • RIM • Offshore IT Software Development 	<ul style="list-style-type: none"> • Software Services, & Development 	<ul style="list-style-type: none"> • Program Management for TUI • Infrastructure Management 	<ul style="list-style-type: none"> • Sales & Marketing • Account Management • Program Management 	<ul style="list-style-type: none"> • Sales & Marketing • Account Management • Program Management • Onsite IT Services 	<ul style="list-style-type: none"> • Distribution of Packaged Software Products • Domestic IT Services 	<ul style="list-style-type: none"> • IT Operations and IT Services support for TUI Group of Companies and other customers in Germany



Financial Highlights

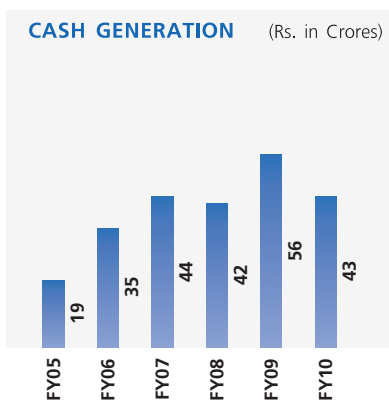
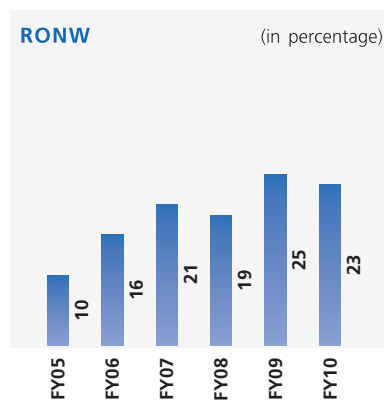
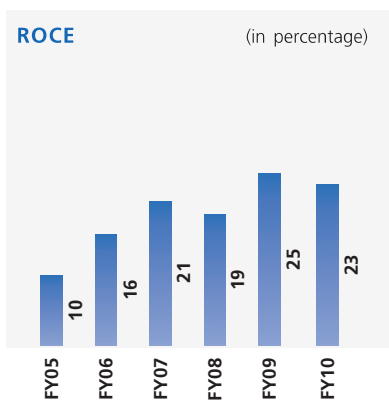
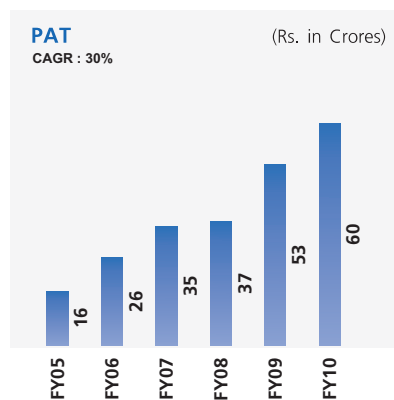
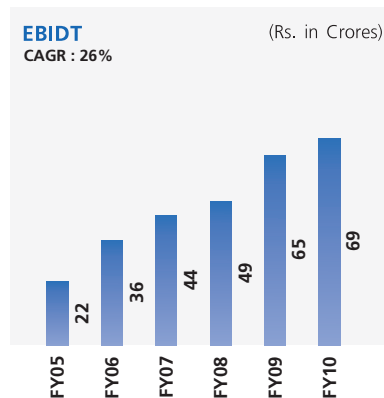
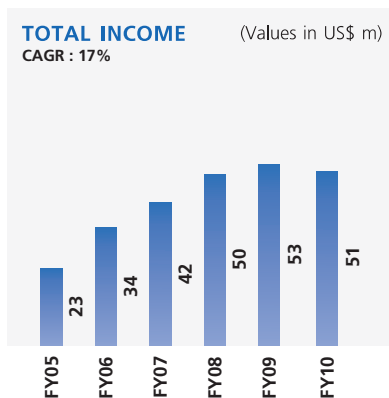
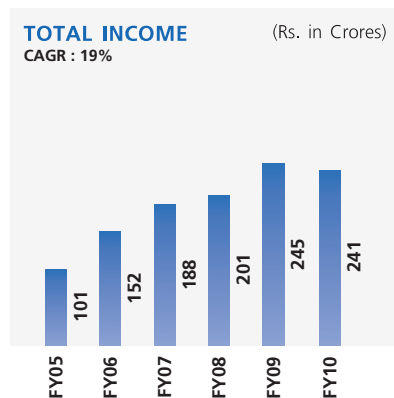
SONATA SOFTWARE LIMITED : CONSOLIDATED



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

Financial Highlights

SONATA SOFTWARE LIMITED : STANDALONE

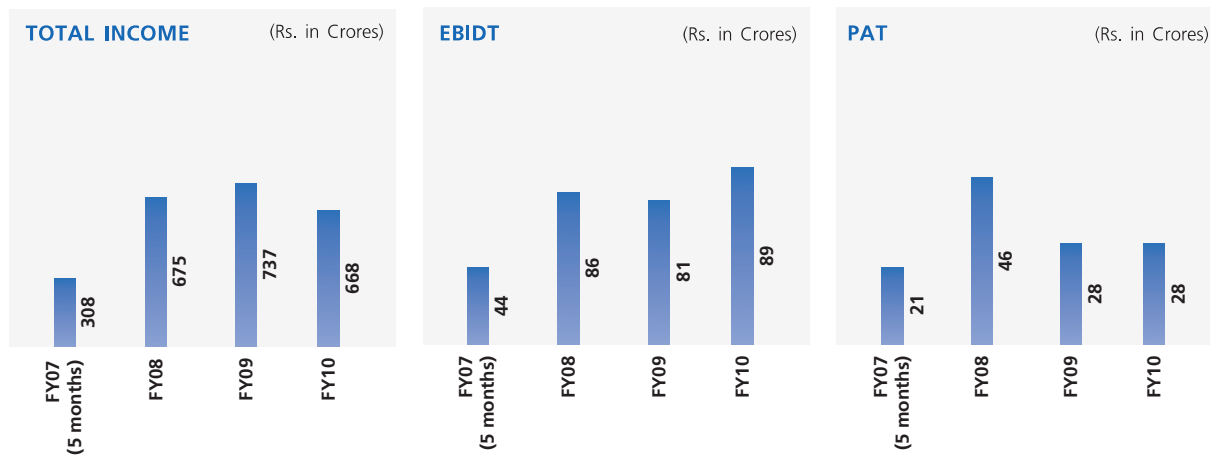


Note : All figures depicted in the graphs have been rounded off.



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 Fifteenth Annual Report of your Company together with the Audited Statement of Accounts for the financial year ended 31st March, 2010.

FINANCIAL RESULTS

(Rs. in Crores)

Description	Standalone		Consolidated	
	Year ended 31.03.2010	Year ended 31.03.2009	Year ended 31.03.2010	Year ended 31.03.2009
1. Total Income	241.37	244.63	1,393.29	1,602.12
2. Total Expenditure	179.66	188.09	1,278.08	1,489.52
3. Profit before Tax	61.71	56.54	115.21	112.60
4. Provision for Tax	10.50	9.30	28.77	28.28
5. MAT credit	(8.99)	(6.12)	(8.99)	(6.12)
6. Share of earnings in affiliates Minority Interest	-	-	(1.54) (14.01)	0.25 (14.13)
7. Net Profit	60.20	53.36	79.88	76.56
8. Appropriations :				
Proposed Dividend	8.41	-	8.41	-
Interim Dividend	9.46	15.77	9.46	15.77
Provision for Dividend Tax	3.01	2.68	3.01	2.68
Transfer to General Reserve	7.00	6.00	7.00	6.00

BUSINESS PERFORMANCE

Your Company is primarily engaged in the business of providing IT Services and solutions to its customers in US, Europe, Middle East and India. The financial results of the Company both on standalone and consolidated basis have been very encouraging despite the challenges faced in terms of unfavorable currency movements and depressed business conditions in our primary markets of US and Europe. On a standalone basis, vastly improving margins despite revenues remaining flat bear testimony to improvements in our delivery practices and the strategy of focusing on existing customers to deliver higher value.

Consolidated financials cover our Software Services business covered above and two additional business of - Domestic Products and Services business and our Joint venture – TUI Infotec, in Germany. Our consolidated revenues showed a drop as we continue to focus on 'revenue quality and profitability' in our domestic business rather than just revenue growth and on account of moving of onsite work from TUI Infotec in Germany to offshore. Profitability in the above businesses have also shown an improvement on a year over year basis.

DIVIDEND

Your Directors are pleased to recommend payment of a final dividend of Re.0.80/- per equity share (@80% on par value of Re.1/- each), subject to the approval of shareholders, which along with the interim dividend of Re.0.90 per equity share adds upto a total dividend of Rs.1.70/- per equity share (Previous year - Rs.1.50/- per equity share of Re.1/- each).

If approved, the final dividend will be paid to all those equity shareholders whose names appear on the Register of Members of the Company on 9th June, 2010 and to those whose names appear as beneficial owners in the records of National Securities Depository Ltd and Central Depository Services (India) Ltd as on the said date.

ERP IMPLEMENTATION

During the year, the Company and its subsidiaries went live on an integrated, Enterprise Resource Management system. The new system replaces legacy systems in the areas of Finance, Human Resources, Project Accounting and scheduling. Improved metrics management, internal controls and information availability on a real time basis are what we expect from the system.

QUALITY

During the year under review, your Company's quality processes continued to evolve and upgrade inline with business needs. New certification – ISO 20000-1 was achieved which will directly enhance our service offering in the growing Infrastructure Management Services. Application development, testing and implementation services continue to adapt and benefit from best practices of CMMI processes. Improved techniques of project management using data / metrics have been the focus area during the year under review. Further, all efforts are being made to reach higher levels of process maturity by partnering with industry leading consultants.

New initiatives taken up during the year under review in the area of Information Security supported the business in line with industry and customer expectations. Efforts are underway to achieve benchmark certification of ISO 27000.

Another area of focus during the year under review has been Project Management excellence. Training and certifying key managers will enable project teams in delivering better.

LISTING FEES

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

In March, 2010, your Company's wholly-owned subsidiary Offshore Digital Services Inc., changed its name to "Sonata Software North America Inc".

The statement pursuant to Section 212(1)(e) of the Companies Act, 1956 in respect of subsidiaries is attached except for Abisko Development Ltd, Cyprus which is being wound up voluntarily as there have been no transactions in that company for the last several years. The Consolidated Accounts of your Company and its subsidiaries viz., Sonata Information Technology Ltd, Sonata Software North America Inc., USA (formerly known as Offshore Digital Services Inc), 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 applied for exemption to the Ministry of Corporate Affairs from attaching the audited accounts of overseas subsidiary companies for the financial year ended 31st March, 2010. Accordingly, the audited accounts of the above mentioned overseas subsidiary companies are not attached. However, they are available on the Company's website www.sonata-software.com.

The audited accounts of overseas subsidiaries have been made available for inspection by any investor at the Company's Registered office. Copies can 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 FY08-09, your Company was ranked among the Top 20 IT Software and Service Exporters in India for the second consecutive year. In a comprehensive industry study conducted by Zinnov Management Consulting Pvt. Ltd across service providers from China, India and Eastern Europe, your Company has been ranked among Top 10 R&D Services players globally. Your Company has also been ranked 6th in the Software Products segment by Zinnov. Zinnov is a leading management consulting company providing services in the area of Offshore Advisory, Market Expansion and Human Capital Optimization to Fortune 1000 companies. The rating reinforces your Company's leadership position in the industry and is a testimony of its ability to provide innovative solutions that deliver real business results. Your company was also recognized as Microsoft Gold Certified Partner for Business Intelligence.

Your Company was a winner in the Deloitte Technology Fast 500 Asia Pacific 2009 program. The program recognize the fastest growing and most dynamic technology companies in Asia Pacific region.

CORPORATE GOVERNANCE

As required under Clause 49 of the Listing Agreement with Stock Exchanges, a Report on Corporate Governance is provided elsewhere in this Annual Report along with the Auditors' Certificate on the compliance thereof.

During the year, the Ministry of Corporate Affairs, Government of India had published 'Corporate Governance Voluntary Guidelines 2009'. The Company is reviewing these guidelines.

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 2009-10, 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, 2010 and of the profit of the Company for the year to that date.

Your Directors state that in preparing the aforesaid financial statements of the Company, appropriate accounting policies have been consistently applied and supported by reasonable and



prudent judgements and estimates, whilst applicable accounting standards have been followed and that these financial statements have been prepared on going-concern basis.

Further, your Directors to the best of their knowledge and belief, state that appropriate internal control systems are in place which are reasonably expected to safeguard the assets of the Company and to prevent and detect fraud and irregularities.

ENERGY CONSERVATION, RESEARCH & DEVELOPMENT, FOREIGN EXCHANGE

The particulars, as prescribed under Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, with regard to conservation of energy, research & development and foreign exchange earnings & outgo are set out in the annexure attached to this Report.

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

PUBLIC DEPOSITS

Your Company has not accepted any deposits from the public during the year under review.

PERSONNEL

Particulars of employees as required under the provisions of 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 partnered with NGOs BHUMI and Hope Foundation for re-habilitating the flood affected people in Raichur, Karnataka and in Rajoli Village, Kurnool District, Andhra Pradesh and for this cause an amount of Rs. 15 Lacs was contributed by the Company and its employees.

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

- As a conscious step towards a Greener Earth, this New Year 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.
- Wall Calendars were created with the paintings done by Hope and BHUMI children to increase awareness about our NGO partners.
- Funds collection campaign was organized to sponsor salaries of English and Computer teacher of Rasoolpura Government High School, Hyderabad.
- Donated 10 computers to the charitable institutions for education of the students through the Rotary Bangalore East.

DIRECTORS

Mr.M.D.Dalal and Mr.B.K.Syngal, 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 2010-11 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 : 19th April, 2010

Pradip P Shah
Chairman

Sonata Software Limited

ANNEXURE TO THE DIRECTORS' REPORT

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

1. CONSERVATION OF ENERGY

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 new technologies in the areas – Cloud computing, Service Oriented Architecture (SOA) and Enterprise social networking Portals. During the year, your Company has developed several frameworks and Intellectual Property (IP) rights around popular vendor's SOA Platforms. Your Company has also built SOA Testing Framework which is offered along with other Automation testing Frameworks.

(ii) Domain Competency

During the year, your Company has acquired significant competencies and carried out R&D work around Travel, Tourism and Logistics (TTL) domain area. The Travel Vertical's focus during the year under review was on technologies which are redefining the landscape in this area viz., Travel 2.0 which encompasses Web 2.0 in the travel area, application of MOSS portals. During the year, the TTL vertical has developed and renewed several frameworks and IP around selling platforms, OpenSource and JEE technologies that helped to ensure your Company stay ahead in the technology curve in terms of web development.

(iii) Vertical Solutions

Your Company developed certain business processes and adapters for the Utility Vertical. The Travel Vertical has developed and enhanced certain frameworks around the Tour Operator application platform, Intranet Framework on MOSS which also includes knowledge management and Website evaluation methodology which helps benchmarking travel related sites to the best available and for compliance to basic and advanced features. Your company also developed Enterprise social networking portal framework for employee collaboration and self service using Sharepoint server and integrating with popular ERPs.

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

Your Company is presently marketing services around SOA Consulting, Implementation and Testing for Utility and has won entry into the Vendor List of large utility companies for these services.

The Travel Vertical is presently marketing implementation, customization and services around SonnetTravel, Intranet MOSS Framework and Website evaluation framework and has won clients for these services. These have proven to be a good entry solution in acquiring enterprise clients in the travel domain.

c) Future Plan of action

Focus of CRG in the current year is to continue to work on SOA, Cloud computing, Online services and Portal technologies for certain verticals and develop frameworks for key business processes. The plan is also to focus on building solution accelerators for the vertical in the emerging areas in mobile, social networking, integration components for distribution systems for the Travel domain.

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 Australia, Bulgaria, Denmark, Germany, Iceland, Japan, MEA, Netherlands, Singapore, Qatar, UK and USA.

Foreign Exchange outgo on account of Travelling, Professional Charges, Subsistence/Living cost, overseas salaries, Import of capital goods, etc was Rs.41.44 Crores and foreign exchange inflow on account of export of software services (net) was Rs.236.24 Crores.

Financial Year 2009-10 has been a very challenging year for the IT Services industry. Given this, your Company has focused on growth from existing international customers for enhancing software exports and has been successful in growing the size of existing teams working for these customers, as well as branch into newer divisions within these customers, through ongoing investments in account management personnel.

Recognizing the significance of domain capability as a key driver in winning export business, your company has made significant investments in hiring specialists with deep industry knowledge in travel and airlines verticals. During the year under review, your company has made a conscious move to enhance its visibility among key influencers in the marketplace such as industry analysts & sourcing advisory firms. Your Company has also revamped its online presence and pioneered the use of social networking tools to build Sonata's brand visibility.

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

For and on behalf of the Board

Place : Bangalore

Date : 19th April, 2010

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, 2010.

Sl. No.	Name	Age (Years)	Qualification	Designation & Nature of Duties	Remuneration (Rs.)	Experience (Years)	Date of Joining	Previous Employment
1	B Ramaswamy	56	M.Sc (Agri) PGDBM (IIM)	Managing Director & President	15,574,291	33	01.10.86	General Sales Manager Voltas Limited
2	P Srikar Reddy	52	BE (Electrical) PGDBM (IIM)	Executive Vice President & Chief Operating Officer	10,017,393	28	02.04.86	Manager - Systems & projects Betamatics Pvt. Ltd. (1 Year)
3	Anirudha Banerjee	54	Bsc (Engg) - Elec	Head Technology Services Business	3,199,832	31	14.09.01	Chief Operating Officer eSols Worldwide Ltd.
4	P V S N Raju	45	B. Tech PGDIE	Head - Enterprise Solutions & Microsoft CoE	5,386,848	22	01.02.88	Nil
5	N Sridhara	52	B. E.(Electronics)	Head Project Office	2,772,536	28	24.02.97	General Manager HMT Limited
6	C Padma	48	M. Tech (IIT)	Associate Vice President Projects	2,757,371	25	31.08.94	Manager Computer Services Hidustan Aeronautics Ltd.
7	S Ganesh*	45	CA & ACS (Inter)	Head Human Resources	2,072,219	23	29.04.98	Senior Manager BPL Telcom Business Group
8	V Rajakanth Kamath	47	BE(E&C), MS(CS)	Associate Vice President Projects	3,589,590	22	18.03.98	Senior Systems Limited Copy Cat Limited
9	C V Narayanan	45	M. Tech (Commn Engg), IIT Bombay	Head - Managed Testing and Web Technologies	3,142,430	22	01.06.98	Senior System Analyst Institute of Banking Studies
10	D Gnaneshwar	43	AMIE	Associate Vice President Projects	3,364,502	19	10.08.05	Senior Vice President Visual Soft Technologies
11	M Ashoka	51	M. Tech (IIT Bombay)	Head Quality, Education & Training	2,427,039	26	07.03.91	Asst. Manager R&D HCL Limited
12	R Sathyaranayana	45	CA	Head Finance & Accounts	2,722,644	19	06.02.97	Manager Accounts & Finance BPL Refrigeration Ltd
13	K Srihari	42	B. E. (Mech)	Head - Global Alliance (Microsoft) & Europe Sales	2,944,317	19	03.12.90	—
14	Umamaheshwaran Shastry	43	MBA	Head Global Travel Business	4,525,907	21	01.09.08	Senior Vice President NIIT Technologies
15	Dinesh Ramachandran	39	B.Tech (Electronics & Communication), PGDM	Head - Product Management and M&A	2,634,105	16	07.07.03	Strategic Account Manager Southerland Global Services,USA
16	DVSSR Murthy	53	M.Sc (Physics)	Head - Infrastructure Management Services	2,824,872	31	11.08.06	Regional Head Customer Services SBU, CMC Ltd,
17	Swaminatha Babu	50	M.Tech	Assistant Vice President Projects	2,430,756	26	14.11.94	BEML, Manager-EDP
18	A G Sayinath	44	BE	Assistant Vice President Practice and Delivery	3,234,707	23	27.07.92	Business Development Manager Maegaware Computers Ltd.
19	Swati Sengupta	45	B. E. (Electronics) PGCGM (IIM)	Head - Corporate Marketing & Communications	2,454,372	23	28.08.06	Associate Vice President EZE Serwiz Solutions Limited
20	Ramachandra Subramanya*	41	BE (Industrial and Production Engg)	Head SAP Business	2,744,684	20	02.04.09	Delivery Head - SAP Satyam Computer Services Limited.
21	Venkataraman Narayanan*	39	Bcom, ACA	Head, Strategic Finance and Risk Management	2,843,658	15	02.06.09	CFO Team Lease Services Pvt Ltd
22	Rajsekhar Datta Roy	40	B.E, MBA	Assistant Vice President Delivery	2,552,539	16	15.09.94	—
23	V C Murali Swaminathan*	48	BA(Econ) MBA(XLRI)	Head Human Resources	1,737,684	24	23.11.09	Founder & CEO AssessPulse
24	Pankaj Narayan Pandit*	49	B. E.(Elec),MMS (Finance),DCA(NITIE)	Associate Vice President Projects	2,221,354	26	29.09.09	Principal Consultant-Airline Practice, Infosys Technologies 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, 2010.

Sonata Software Limited

MANAGEMENT DISCUSSION AND ANALYSIS REPORT (MDA)

a. Industry structure and developments

The year 2009-2010 was been very challenging for the entire Indian IT Services industry. With customer IT spending staying mostly flat or showing a decline, the focus among client organizations was on driving efficiencies into their existing IT systems, and pursue projects that higher levels of guaranteed return on investments and quicker payback.

According to NASSCOM, the IT industry growth rate for financial year 2009-10 has been estimated at 5.5 percent. However, for the next financial year, 2010-11, NASSCOM has given healthier projections for IT Services exports to grow between at 13 percent to 15 percent. They have forecasted the Indian market to grow between 15 percent to 17 percent..

Customers perception of outsourcing has undergone a distinct and perceptible change.. They are increasingly looking at outsourcing as a tool to meet their ever changing and dynamic business environment. IT budgets are subject to high levels of scrutiny to ensure alignment to their overall business strategy. Customers are seeking partners with mature processes, financial stability and a demonstrated track record in not only delivering cost savings but also those who show sustained and continuous improvements in productivity.

b. Opportunities and threats

In every challenge lies an opportunity. Today's enterprises are looking for solutions that can help them reduce their operational cost and derive maximum value from their IT spend. According to industry analysts like Forrester, enterprises are looking for help making the move from a Time & Material model of engagement to a managed services model which not only help in driving down costs but also ensures that the projects are more outcome oriented. The Industry has been talking about this changed business, engagement and pricing models for some time now. However, they are fast becoming a reality. Further, enterprises are prioritizing at projects that involve application consolidation / rationalization and those which are collaborative and high impact solutions that enhance productivity.

In the customer segment of Software Product companies who outsource their product development to offshore outsourcing companies, there has been a growing preference for engagement models that align their costs with activity levels (output). We have seen an increased level of activity among product companies that are relatively new to offshoring - driven by the need to compete in a challenging economy.

With Sonata's proven track record in delivering solutions to product companies, we are well poised to capitalize on the above trends in the enterprise and product development markets..

The financial upheaval that hit the developed markets last year threw up a risk which the Industry was not really exposed to earlier i.e. 'Customer sustainability'. Constantly changing business priorities, mergers, acquisitions and consolidations of companies require IT service providers to be quick and deliver according changing situations.

Companies which are slow to react will get negatively impacted by risks on account of failed projects, unhappy customers and in extreme cases customer delinquencies. Further, with costs of delivery from near shore locations closing up with that offshore, emergence of these centers coupled with protectionist steps taken by developed economies faced with the recession could threaten the growth prospects of this sector.

c. Segment wise performance

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

d. Outlook

We at Sonata over the last year focused on our existing customer base as the foundation for its growth. This strategy has paid rich dividends. We have been successful in growing the size of our existing teams working for our existing customers, as well as branch into newer divisions within these accounts, through ongoing investments in account management capabilities

Recognizing the significance of domain capability as a key driver in winning export business, Sonata has made significant investments in hiring specialists with deep industry knowledge in travel and airlines verticals. We have made significant investments in building solution accelerators (IP) in several areas such as airlines that will help us differentiate effectively against competition, while also leveraging existing TUI IP for our business development efforts.

We have made a conscious move to enhance our visibility among key influencers in the marketplace such as industry analysts & sourcing advisory firms. We have also revamped our online presence and pioneered the use of social networking tools to build Sonata's brand visibility.

We have expanded our new development facility in Global Village SEZ, Bangalore significantly to cater to our growth plans. We, at Sonata, are witnessing a rebound in customer IT spending during the last quarter for FY10 and our assessment is that this will continue over the coming year as well.

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. Other risks that are closely monitored are risks of client concentration, geographical spread, competition and financial stability of our customers.

f. Internal control systems and their adequacy

Sonata has deployed adequate Internal Control Systems (ICS) 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.

During the year, the Company implemented an ERP system to replace existing legacy systems. This should help further



strengthen the internal control systems that are in place.

The existing internal control systems and their adequacy are frequently reviewed and improved upon to meet the changing business environment.

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 of the Company increased from 2034 to 2124 as of 31st March 2010.

h. Financial highlights

1. Revenues

Revenue from US was 46.21% and Europe was 48.21% for the year ended 31st March 2010 as compared to 38.81% from US and 60.19% 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 1.95% over the same period last year.

3. EBIDT

The EBIDT was at 28.79% for the year ended 31st March 2010 as compared to 26.59% for the same period last year.

4. Profit after Tax

Profit after Tax was at 24.94% for the year ended 31st March 2010 as compared to 21.81% for the same period last year.

5. Interest and Borrowings

The Company was debt free as on 31st March 2010 and had a Net Cash balance of Rs.338.21 millions (includes investment in Mutual Funds). During the year the Company has not incurred any interest cost.

6. Capital Employed

The Return on Average Capital Employed (ROCE) for the year ended 31st March 2010 was 22.90% as compared to 25.41% for the same period last year.

7. Net Worth

The Return on Average Net Worth (RONW) for the year ended 31st March 2010 was 22.90% as compared to 25.23% for the same period last year.

8. Fixed Assets

The Company added fixed assets to the extent of Rs.151.60 millions. Additions were mainly incurred for new facilities at Bangalore (SEZ Unit at Global Village).

9. Receivables

Debtors as number of days' sales stood at 87 days for the year ended 31st March 2010 as compared to 64 days for the same period last year.

10. Cash Generation

Cash generated from operations was Rs.428.15 million for the year ended 31st March 2010.

11. Manpower

The total employee strength as on 31st March 2010 was 2124 as against 2034 as on 31st March 2009.

PERFORMANCE SUMMARY

1. Revenue

Revenue decreased by 3.07% at Rs. 2360.94 million for the Year ended 31st March 2010 as compared to Rs.2435.77 million for the same period last year.

2. EBIDT

EBIDT was Rs.694.80 million for the year ended 31st March 2010 as compared to Rs.650.55 for the same period last year.

3. Profit After Tax (PAT)

PAT stood at Rs.602.03 million for the year ended 31st March 2010 as compared to Rs.533.59 million for the same period last year.



Sonata Software Limited

Auditor's Certificate

(Under Clause 49 of the Listing Agreement)

TO THE MEMBERS OF SONATA SOFTWARE LIMITED

We have examined the compliance of conditions of Corporate Governance by Sonata Software Limited (the Company) for the year ended on 31st March 2010, 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
Registration No: 108296W

Bangalore
19th April, 2010

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, 2010.

Bangalore
19th April, 2010

B Ramaswamy
President & Managing Director



Sonata Software Limited

REPORT ON CORPORATE GOVERNANCE

Your Company is in compliance with the requirements of the guidelines on Corporate Governance stipulated under Clause 49 of the Listing Agreement and hereby presents the following Corporate Governance Report for the year 2009-10 based on the said requirements.

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 without compromising on compliance of any laws and regulations."

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 2009-10, four meetings of the Board were held with a time gap of not more than four months between any two meetings. These meetings were held on 17th April, 2009, 17th July, 2009, 14th October, 2009 and 19th January, 2010.

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 Non-executive Director	14,600
M D Dalal	Executive Vice Chairman	Promoter Executive Director	12,94,600
Viren Raheja	Director	Promoter Non-executive 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	30,000
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	Whether attended the last AGM on 5th June'09	No. of memberships in Boards of other Public Companies	No. of Committee memberships in all Public Companies@
Pradip P Shah	4	4	Yes	13	8
S B Ghia	4	4	Yes	5	7
M D Dalal	4	4	Yes	1	2
Viren Raheja	4	3	No	4	3
B Ramaswamy	4	4	Yes	1	1
P Srikar Reddy	4	4	Yes	1	1
S N Talwar	4	4	Yes	14	10
B K Syngal	4	3	Yes	3	4

@ The disclosure includes membership/chairmanship of Audit Committee and Shareholders'/Investors' Grievance Committee in Indian public companies (listed and unlisted). 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/re-appointment and removal of the Statutory auditors, fixation of audit fees and also approve payment for other services rendered.
3. To review with the Management, performance of statutory and internal auditors, the adequacy of internal control systems, changes in accounting policies/procedures, major accounting entries based on the exercise of judgment by Management, significant adjustments in the financial statements arising out of audit findings, statutory compliance, qualifications in draft audit report, default in payments to shareholders/creditors, if any.
4. Discussion with statutory/internal auditors on nature and scope of audit, any significant findings / investigations and follow up there on.
5. To review, with the Management, the audited quarterly and annual financial statements before submission to the Board for approval.
6. To review the Company's financial and risk management policies.
7. To review statement of significant related party transactions, management letters / letters of internal control weaknesses and appointment, removal and terms of remuneration of the 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

- Venkatraman N - Head – Strategic Finance & Risk Management
 Sathyanarayana R - AVP – Finance & Accounts
 Y.N.Thakkar - Partner, N.M.Raiji & Co., (Statutory Auditors)
 V.Raghavendran - Partner, V.Raghavendran & Co., (Internal Auditors)

Meetings and attendance during the year

Members	Meetings held	Meetings attended
B K Syngal	4	3
S B Ghia	4	4
Pradip P Shah	4	4

Note : At the meeting held on January 19, 2010, in the absence of Mr.B.K.Syngal, Mr.S.N.Talwar, Independent Director attended the meeting by invitation.

IV. REMUNERATION COMMITTEE

The Remuneration Committee was reconstituted on 17th July, 2009.

Terms of Reference

The Remuneration Committee reviews the policy on remuneration packages for Executive Directors, their Service Contracts, Stock Option details etc. However, remuneration of non-executive Directors is reviewed and decided by the Board of Directors.

Composition

- S N Talwar - Chairman (Independent Director)
 S B Ghia - Non-Executive Director
 B K Syngal - Non-Executive Director

Secretary

- Praveen Kumar D - Company Secretary

Meetings and attendance during the year

Members	Meetings held	Meetings attended
S N Talwar	3	3
S B Ghia	3	3
B K Syngal	3	2

Remuneration Policy

The Committee recommends the remuneration payable to Executive Directors based on their contribution to the growth and development of the Company.

Details of remuneration paid/payable to all the Directors for FY 2009-10

(Amount in Rs.)

Name	Salary & Perquisites	Commission	Shares issued under ESOP	Details of service contracts notice period & severance fees
Pradip P Shah	Nil	13,45,494	Nil	Nil
S B Ghia	Nil	13,45,494	Nil	Nil
M D Dalal	Nil	22,20,063	Nil	Agreement dated 29.10.2007 valid upto 31.10.2012 ; Three(3) months notice period and no severance fees
Viren Raheja	Nil	13,45,494	Nil	Nil
B Ramaswamy	88,47,126	67,27,468	Nil	Agreement dated 19.04.2010 valid upto 31.03.2015; Twelve(12) months notice period and severance fees equivalent to the salary and perquisites for the unexpired period of the Agreement
P Srikar Reddy	66,53,660	33,63,734	Nil	Agreement dated 16.10.2009 valid upto 19.10.2014; Twelve(12) months notice period and severance fees equivalent to the salary and perquisites for the unexpired period of the Agreement
S N Talwar	Nil	13,45,494	Nil	Nil
B K Syngal	Nil	13,45,494	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 of complaints received and resolved during the financial year ended 31st March, 2010 has been provided in the "Shareholders' Information" section of the Annual Report.

VI. SHAREHOLDERS' MEETINGS

Details of last three AGMs held :

Year	Date	Venue	Time
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.
2008-09	05.06.09	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 2006-07 - Nil

Year 2007-08 - Yes, one special resolution for payment of commission to non-wholetime Directors pursuant to Section 309 of the Companies Act was passed.

Year 2009-10 - Nil

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

No

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

No

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

Details are provided in Note 14 under Schedule 15 to the Notes forming part of the Accounts in accordance with the provisions of Accounting Standard 18.

Details of non-compliance by the Company, penalties, strictures imposed on the Company by Stock Exchange or SEBI or any statutory authority, on any matter related to capital markets, during the last three years.

None

Whistle Blower Policy

Since the Company does not have a Whistle Blower Policy (constitution of which is a non-mandatory requirement), the details pertaining to the same is not provided. However, the Company affirms that no employee has been denied access to the Audit Committee during the financial year 2009-10.

Mandatory/Non-mandatory Requirements

During the financial year 2009-10, 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 except requirements pertaining to constitution of Remuneration Committee.

VIII. MEANS OF COMMUNICATION**Quarterly results / Other information**

- The quarterly results are generally published in Business Standard (all India edition) and in Navshakti (Mumbai edition).
- The quarterly financial statements, press releases, shareholding pattern and all other information disseminated to analysts/institutional investors are posted on Company's website (<http://www.sonata-software.com>) under Investor Relations Section.

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 31st March, 2010

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 March 31, 2010.

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 there under .
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 dividend has been complied with.
10. There were no borrowings during the year under report.
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**

Date : 13th April, 2010
Place: Bangalore

Sd/-
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, 2010, 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 2010;
 - 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
Registration No: 108296W

CA.Y N Thakkar

Partner

Place : Bangalore
Date : 19th April, 2010

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. During the year, the Company has not disposed off substantial part of its fixed assets.
- (c) During the year, the Company has not disposed off substantial part of its fixed assets.
- (ii) The Company does not have any inventory during the year. Accordingly clause (a), (b) & (c) are not applicable to the Company for the year.
- (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 outstanding as at 31.03.2010	Maximum amount outstanding during the year
1	Rs. 16.50 crores	Rs. 25.00 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) As the loan is repayable on demand, there is no amount overdue for the principal and interest.
- (e) During the year the Company has not taken any loans, secured or unsecured loan from parties listed in the register maintained under section 301 of the Companies Act, 1956. Accordingly clause (f) and (g) are not applicable.
- (iv) In our opinion, there are adequate internal control systems commensurate with the size of the Company and the nature of its business with regard to purchase of inventory, fixed assets and for the sale of goods and services. During the course of our audit, no major weakness has been noticed in the internal controls.
- (v) According to the information and explanations given to us the transactions that need to be entered into the register in pursuance of section 301 of the Companies Act 1956 have been entered.
- (vi) There are no transactions that need to be entered into the register in pursuance of section 301 of the Companies Act 1956.
- (vii) The Company has not accepted any deposits from the public.
- (viii) 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.
- (ix) Maintenance of cost records has not been prescribed by the Central Government under section 209(1) (d) of the Act.
- (x) (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 income tax and 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.
- (xi) 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.
- (xii) The Company has no dues to any financial institution or bank or debenture holders.
- (xiii) The Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiv) The Company is not a chit/nidhi/mutual benefit fund/society.
- (xv) 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.
- (xvi) The Company has given a guarantee for loan taken by the wholly owned subsidiary. The terms and conditions are not prejudicial to the company.
- (xvii) The Company has not obtained any term loans.
- (xviii) Funds raised on short-term basis have not been used for long term investments.
- (xix) 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.
- (xx) The Company has not issued any debentures during the year.
- (xxi) The Company has not raised any money by public issues during the year.
- (xxii) 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. 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
Registration No: 108296W

CA. Y N Thakkar
Partner

Place : Bangalore
Date : 19th April 2010

Membership No: 33329

Statement forming part of Audit Report clause (x)(b)

Name of the Statute	Nature of Dues and Period	Amount in Rs.	Forum where dispute is pending
Income Tax Act' 1961	<u>Income Tax and Interest thereon</u> Financial Year 2005-2006	196,388,445	Commissioner of Income Tax (Appeals) Supreme Court of India (The Company has obtained a Stay Order dated 25.01.2010)
	<u>Tax not Deducted at Source and Interest thereon</u> Financial Years 1999-2000, 2000-2001 and 2001-2002.	284,187,956	
		480,576,401	



Sonata Software Limited

BALANCE SHEET AS AT 31ST MARCH, 2010

(Rs.)

	SCHEDULE	AS AT 31.03.2010	AS AT 31.03.2009
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Share Capital	1	105,159,306	105,159,306
Reserves and Surplus	2	<u>2,816,532,736</u>	<u>2,133,103,694</u>
		2,921,692,042	2,238,263,000
TOTAL FUNDS EMPLOYED		<u>2,921,692,042</u>	<u>2,238,263,000</u>
APPLICATION OF FUNDS			
FIXED ASSETS			
Gross Block	3	861,970,163	732,222,034
Less : Depreciation		<u>549,727,330</u>	<u>489,922,502</u>
Net Block		312,242,833	242,299,532
Capital work-in-progress & advances		<u>3,950,001</u>	<u>30,059,564</u>
		316,192,834	272,359,096
INVESTMENTS	4	1,198,082,482	1,262,628,341
DEFERRED TAX ASSET		54,905,085	76,818,887
CURRENT ASSETS, LOANS & ADVANCES			
Sundry Debtors	5	561,056,772	428,502,168
Cash & Bank Balances	6	248,208,986	139,627,852
Other Current Assets	7	25,913,177	37,161,410
Loans and Advances	8	<u>833,396,263</u>	<u>273,330,888</u>
		1,668,575,198	878,622,318
Less :CURRENT LIABILITIES & PROVISIONS			
Current Liabilities	9	202,450,397	240,310,123
Provisions	10	<u>113,613,160</u>	<u>11,855,519</u>
		316,063,557	252,165,642
NET CURRENT ASSETS		1,352,511,641	626,456,676
TOTAL FUNDS APPLIED		<u>2,921,692,042</u>	<u>2,238,263,000</u>
NOTES FORMING PART OF ACCOUNTS	15		

As per our Report annexed

For and on behalf of the Board

For N M RAIJI & Co.

Chartered Accountants

CA.Y N THAKKAR

Partner

Membership No: 33329

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 19th April, 2010

Sonata Software Limited

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

(Rs.)

	SCHEDULE	YEAR ENDED 31.03.2010	YEAR ENDED 31.03.2009
INCOME			
Services (Net)		2,360,942,195	2,435,768,787
Other Income	11	52,802,059	10,530,957
Total Income		2,413,744,254	2,446,299,744
EXPENDITURE			
Operating and Other Expenses	12	1,697,872,063	1,768,528,728
Interest	13	–	3,881,623
Depreciation		77,664,907	81,316,414
Provision for Doubtful Debts		21,073,432	11,537,756
		1,796,610,402	1,865,264,521
Add/(Less) : (Increase)/ Decrease in Stocks	14	–	15,680,980
		1,796,610,402	1,880,945,501
Profit Before Tax		617,133,852	565,354,243
Provision for Tax (refer schedule 15, note 10)		104,996,236	93,002,493
MAT credit		(89,892,126)	(61,237,382)
Profit After Tax		602,029,742	533,589,132
Add : Balance of Profit brought forward from previous year		1,307,131,399	1,018,088,962
Disposable Surplus		1,909,161,141	1,551,678,094
Proposed Dividend		84,127,445	–
Interim Dividend		94,643,375	157,738,959
Provision for Dividend Tax		30,057,369	26,807,736
Transfer to General Reserve		70,000,000	60,000,000
Surplus carried to Balance Sheet		1,630,332,952	1,307,131,399
		1,909,161,141	1,551,678,094
NOTES FORMING PART OF ACCOUNTS	15		
EPS - Basic (on Re.1/- per share)		5.72	5.07
EPS - Diluted (on Re.1/- per share)		5.72	5.07

As per our Report annexed

For and on behalf of the Board

For N M RAIJI & Co.

Chartered Accountants

CA.Y N THAKKAR

Partner

Membership No: 33329

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 19th April, 2010

Sonata Software Limited

SCHEDULES ATTACHED TO AND FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2010

(Rs.)

	AS AT 31.03.2010	AS AT 31.03.2009
SCHEDULE 1 : SHARE CAPITAL		
Authorised :		
150,000,000 Equity Shares of Re.1/- each (Previous year 150,000,000 Equity Shares of Re.1/- each)	<u>150,000,000</u>	<u>150,000,000</u>
Issued :		
105,159,306 Equity Shares of Re.1/- each (Previous year 105,159,306 Equity Shares of Re.1/- each)	<u>105,159,306</u>	<u>105,159,306</u>
Subscribed and Paid-Up :		
105,159,306 Equity shares of Re.1/- each fully paid-up (Previous year 105,159,306 Equity Shares of Re.1/- each)	<u>105,159,306</u>	<u>105,159,306</u>
Of the above :		
(1) 17,500,000 shares have been allotted as fully paid pursuant to a contract without payment being received in cash.		
(2) 42,270,800 equity shares of Re. 1/- each, fully paid up, have been allotted as bonus shares by capitalization of balance in Profit & Loss Account.		
SCHEDULE 2 : RESERVES AND SURPLUS		
Securities Premium Account	450,924,411	450,924,411
General Reserve		
Balance brought forward	478,154,246	418,154,246
Add: Transferred from Profit and Loss account	<u>70,000,000</u>	<u>60,000,000</u>
	548,154,246	478,154,246
Profit and Loss Account	1,630,332,952	1,307,131,399
Hedging Reserve (Refer Note 13 - Schedule 15)	<u>187,121,127</u>	<u>(103,106,362)</u>
	<u>2,816,532,736</u>	<u>2,133,103,694</u>

SCHEDULE 3: FIXED ASSETS

Assets	Gross Block				Depreciation				Net Block as at 31.03.2010
	Cost as at 01.04.2009	Additions	Deductions/ Adjustments	Cost as at 31.03.2010	As at 01.04.2009	For the Year	Deductions/ Adjustments	As at 31.03.2010	
Leasehold Land	35,200,000 (-)	- (35,200,000)	- (-)	35,200,000 (35,200,000)	179,592 (-)	1,076,603 (179,592)	- (-)	1,256,195 (179,592)	33,943,805 (35,020,408)
Buildings	15,493,000 (15,493,000)	- (-)	- (-)	15,493,000 (15,493,000)	2,209,631 (1,957,094)	252,536 (252,537)	- (-)	2,462,167 (2,209,631)	13,030,833 (13,283,369)
Leasehold Improvements	98,026,180 (96,105,533)	64,491,385 (1,920,647)	- (-)	162,517,565 (98,026,180)	48,254,063 (32,046,907)	22,332,949 (16,207,156)	-1,053,356 (-)	71,640,368 (48,254,063)	90,877,197 (49,772,117)
Plant & Machinery	381,900,076 (372,454,333)	64,426,338 (32,306,050)	19,787,479 (22,860,307)	426,538,935 (381,900,076)	311,053,904 (284,740,461)	38,112,855 (49,043,707)	17,832,574 (22,730,264)	331,334,185 (311,053,904)	95,204,750 (70,846,172)
Furniture & Fixtures	108,234,338 (108,010,358)	2,391,776 (406,193)	2,068,646 (182,213)	108,557,468 (108,234,338)	81,498,241 (75,103,848)	6,615,280 (6,538,494)	1,080,861 (144,101)	87,032,660 (81,498,241)	21,524,808 (26,736,097)
Motor Car & Vehicles	11,148,328 (9,461,518)	3,159,321 (1,686,810)	- (-)	14,307,649 (11,148,328)	5,659,177 (4,102,492)	1,731,578 (1,556,685)	- (-)	7,390,755 (5,659,177)	6,916,894 (5,489,151)
Air Conditioners & Other Equipments	82,220,112 (80,193,771)	17,135,434 (2,419,590)	- (393,249)	99,355,546 (82,220,112)	41,067,894 (33,870,060)	7,543,106 (7,538,243)	- (340,409)	48,611,000 (41,067,894)	50,744,546 (41,152,218)
TOTAL	732,222,034 (681,718,513)	151,604,254 (73,939,290)	21,856,125 (23,435,769)	861,970,163 (732,222,034)	489,922,502 (431,820,862)	77,664,907 (81,316,414)	17,860,079 (23,214,774)	549,727,330 (489,922,502)	312,242,833 (242,299,532)
Capital work in progress & advances									3,950,001 (30,059,564)
GRAND TOTAL									316,192,834 (272,359,096)

Notes:

- Figures in brackets pertain to previous year ended 31st March, 2009.
- Buildings include cost of shares Rs.7,000(Previous year Rs.7,000).
- Plant and Machinery includes Computer and Software.

	(Rs.)	
	AS AT 31.03.2010	AS AT 31.03.2009
SCHEDULE 4 : INVESTMENTS		
LONG TERM (AT COST) TRADE, UNQUOTED IN SUBSIDIARY COMPANIES		
3,375,394 Equity shares of Rs.10/- each in Sonata Information Technology Limited (fully paid) <i>[Previous year 3,375,394 Equity Shares of Rs. 10/- each - fully paid]</i>	33,753,940	33,753,940
300,000 Equity Shares in Sonata Software North America Inc., USA (formerly Offshore Digital Services Inc. California) (fully paid) <i>[Previous year 300,000 Equity Shares - fully paid]</i>	12,232,184	12,232,184
Shares of Series A Redeemable Preference Shares of Sonata Software North America Inc., USA (formerly Offshore Digital Services Inc. California) <i>[Previous year 2,500,000 Preference Shares - fully paid]</i>	-	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	995,034,086
Sonata Software FZ LLC 500 Equity shares of 1000 AED each fully paid <i>[Previous year : 500 Equity shares of 1000 AED each fully paid]</i>	6,614,250	6,614,250
SHORT TERM UNITS (QUOTED)		
Reliance Medium Term Fund 2924677.847 units at Rs.17.0959 per unit <i>(Previous year - Nil)</i>	50,000,000	-
Birla Sun Life - Liquid Plus 3,997,281.848 units at Rs.10.0068 per unit <i>(Previous year - 2000498.614 units at Rs. 10.0068 per unit)</i>	40,000,000	20,018,590
Standard Chartered Mutual Fund <i>(Previous year - 1,489,528.614 units at Rs.10.0055 per unit)</i>	-	15,000,000
	<u>1,198,082,482</u>	<u>1,262,628,341</u>
SCHEDULE 5 : SUNDRY DEBTORS		
Unsecured		
Debts outstanding for a period exceeding six months		
Considered Good	14,017,039	25,829,248
Considered Doubtful	37,357,807	20,983,794
	51,374,846	46,813,042
Other debts : Considered Good	547,039,733	402,672,920
	<u>598,414,579</u>	<u>449,485,962</u>
Less : Provision for Doubtful Debts	37,357,807	20,983,794
	<u>561,056,772</u>	<u>428,502,168</u>



Sonata Software Limited

Schedules (Contd.)

	AS AT 31.03.2010	AS AT 31.03.2009
		(Rs.)
SCHEDULE 6 : CASH AND BANK BALANCES		
Cash and Cheques on hand	236,886	412,121
Balances with Scheduled Banks		
In Current Accounts	117,592,447	79,224,417
In Deposit Accounts	63,274,250	28,274,250
In Unclaimed Dividend Account	6,242,148	6,545,934
Balances with other banks in current account		
Bank of America, New York, USA	30,037,465	7,509,835
<i>(Maximum balance held during the year Rs. 84,824,586 Previous year Rs. 45,192,513)</i>		
PNC Bank N A, New Jersey, USA	775,929	1,138,717
<i>(Maximum balance held during the year Rs. 11,278,717 Previous year Rs. 17,453,996)</i>		
Hong Kong and Shanghai Banking Corporation, Singapore	190,683	520,942
<i>(Maximum balance held during the year Rs. 415,691 Previous year Rs. 666,353)</i>		
Hong Kong and Shanghai Banking Corporation, London, UK	18,578,733	14,873,792
<i>(Maximum balance held during the year Rs. 60,057,452 Previous year Rs. 110,745,120)</i>		
Hong Kong and Shanghai Banking Corporation, London, UK-Imprest A/c	11,280,445	1,127,844
<i>(Maximum balance held during the year Rs. 20,341,781 Previous year Rs. 61,211,429)</i>		
	248,208,986	139,627,852
SCHEDULE 7 : OTHER CURRENT ASSETS		
Income Accrued but not due	25,913,177	37,161,410
SCHEDULE 8 : LOANS AND ADVANCES		
Unsecured		
(Considered good, unless otherwise stated)		
Advances recoverable in cash or in kind or for value to be received :		
From Subsidiary Company	15,147,605	5,937,240
Inter Corporate Deposit - Sonata Information Technology Limited	165,000,000	-
Others*	341,727,907	107,304,011
	521,875,512	113,241,251
Advance payment of tax (net of provisions)	311,520,751	160,089,637
	833,396,263	273,330,888
<i>*Advances Include due from Directors & officer : 251,155 Previous year : Rs. Nil Maximum due during the year : 276,037 Previous year : 93,530</i>		
SCHEDULE 9 : CURRENT LIABILITIES		
Sundry Creditors		
Micro and Small Enterprises	-	-
Others	58,706,472	33,381,705
	58,706,472	33,381,705
Other Liabilities	136,964,968	200,382,484
Investor Education and Protection Fund (Not Due)	6,778,957	6,545,934
	202,450,397	240,310,123
SCHEDULE 10 : PROVISIONS		
Compensated Absences	15,512,988	11,855,519
Dividend	84,127,445	-
Dividend Tax	13,972,727	-
	113,613,160	11,855,519

	(Rs.)	
	YEAR ENDED 31.03.2010	YEAR ENDED 31.03.2009
SCHEDULE 11 : OTHER INCOME		
Interest received - Gross <i>(Tax Deducted at Source Rs.386,698 Previous year Rs. 102,067)</i>	36,703,010	1,173,090
Excess Provisions no longer required (Net)	2,098,659	-
Service tax Input written back	-	4,980,926
Dividend Received	2,424,940	610,892
Miscellaneous Income	11,575,450	3,766,049
	52,802,059	10,530,957
SCHEDULE 12 : OPERATING AND OTHER EXPENSES		
Salaries, Wages, Bonus and Allowances (Including Directors' remuneration)	1,088,214,947	1,000,543,301
Contribution to Provident Fund and other Funds	58,229,995	76,035,861
Staff Welfare Expenses	15,438,798	9,830,296
	1,161,883,740	1,086,409,458
Power and Fuel	36,012,268	34,634,166
Rent	71,241,856	65,020,253
Rates & Taxes	1,107,155	1,895,278
Insurance	25,480,147	26,231,934
Repairs to :		
Plant and Machinery	3,714,277	4,264,684
Others	32,190,298	29,703,554
	35,904,575	33,968,238
Travelling and Conveyance Expenses	106,761,690	130,731,897
Subsistence/Living Cost	196,259,949	250,992,312
Legal, Professional and Technical Fees	61,110,252	98,514,471
Communication Cost	32,191,516	41,703,082
Auditor's Remuneration :		
Audit Fees	500,000	500,000
Certification	445,000	313,000
Out of pocket expenses	28,631	-
	973,631	813,000
Miscellaneous Expenses	49,204,230	38,481,736
Foreign Exchange Variation (Net)	48,996,552	120,144,918
Loss on Sales of Fixed Assets (Net)	1,408,766	62,184
	1,828,536,327	1,929,602,927
Less: Service charges recovered from subsidiary	130,664,264	161,074,199
	1,697,872,063	1,768,528,728
SCHEDULE 13 : INTEREST		
Interest paid to Banks	-	3,312,894
Interest - others	-	568,729
	-	3,881,623
SCHEDULE 14 : (INCREASE) / DECREASE IN STOCKS		
Opening Stock		
Finished Products	-	15,680,980
	-	15,680,980
Closing Stock		
Finished Products	-	-
	-	-
(Increase) / Decrease in Stocks	-	15,680,980

SCHEDULE 15: NOTES FORMING PART OF THE ACCOUNTS**1. SIGNIFICANT ACCOUNTING POLICIES****a) FIXED ASSETS AND DEPRECIATION**

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

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

Rates of Depreciation

	<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) 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 realisable 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) REVENUE RECOGNITION

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 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.

(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 benefits are recognized in the profit and loss account relating to the year in which the employee has rendered service.

(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.

	<u>31.3.2010</u>	<u>31.3.2009</u>
2. Capital Commitments		(Rs.)
Estimated amount of contracts remaining to be executed and not provided (Net of advances)	68,778,332	33,665,140
3. Contingent Liabilities not provided for		
(I) Disputed Income Tax demands as explained below:		
(Inclusive of Interest Charged)	1,294,841,611	26,837,461

(a) An amount of Rs. 28.42 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 favourable to the Company.

Further, one of the principal suppliers of software to the Company has paid Rs 8.79 crores out of above mentioned demand thus reducing the Company's liability.

(b) An amount of Rs 77.38 crores represents demands relating to the financial years 1996-1997, 1997-1998, 1998-1999 and 1999-2000 on which the Income Tax Department has gone on appeal to the Income Tax Appellate Tribunal against favourable orders received by the Company. These demands have arisen on account of 'disallowance of expenditure on which tax has not been deducted at source'. This issue is in principle connected to (a) above.

(c) An amount of Rs. 23.68 crores represents demands raised by the Income-tax officer at the initial assessment level for the financial year 2005-06. The Company has preferred an appeal to the Commissioner of Income Tax (Appeals) against the aforementioned demand. Further, the substantial issues giving rise to the demand have been adjudicated in earlier years, and the Company has received favourable orders from the Income Tax Appellate Tribunal on the same.

	(Rs.)	
	31.03.2010	31.03.2009
(II) Disputed KVAT from Commercial tax department	6,813,800	6,813,800
(III) Claims against the Company not acknowledged as debts	6,970,461	21,677,210
(IV) (a) The Company has given corporate guarantee to IBM Ltd on behalf of Sonata Information Technology Limited for a value of Rs.5 Crores.		
(b) The Company has provided an indemnity of US\$ 0.5 million to Standard Chartered Bank, India to cover working capital limits provided by Standard Chartered Bank, Dubai to Sonata Software FZ LLC, Dubai.		
4. Remuneration & perquisites to Directors		
Salaries	12,705,000	14,132,250
Contribution to Provident fund & Superannuation fund	1,927,800	1,927,800
Actual reimbursement of medical expenses & LTA	670,000	145,000
Other perquisites as calculated under Income Tax Act, 1961	197,986	76,411
Commission	19,038,734	17,275,712
Total	34,539,520	33,557,173

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

	31.03.2010	31.03.2009
Profit before taxes as per Profit and Loss Account	617,133,852	565,354,243
Add:		
1. Directors' Remuneration	34,539,520	33,557,173
2. Provision for Doubtful debts	21,073,432	11,537,756
3. Depreciation as per books of account	77,664,907	81,316,414
TOTAL (A)	750,411,711	691,765,586
Less:		
Depreciation as envisaged under 350 of the Companies Act*	77,664,907	81,316,414
TOTAL (B)	77,664,907	81,316,414
Net Profit as per Section 309(5)(A-B)	672,746,804	610,449,172
10% of eligible profit	67,274,680	61,044,917
Commission on Net Profit to:		
Managing Director@ 1.00%	6,727,468	6,104,492
Whole time Director@ 0.33%	2,220,064	2,014,482
Whole time Director@ 0.50%	3,363,734	3,052,246
Non Whole time Directors @1.00%	6,727,468	6,104,492
	19,038,734	17,275,712

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

6. Value of imports calculated on CIF basis		
Capital Goods	32,070,586	17,777,785
7. Expenditure incurred in foreign currency on account of		
Travelling	63,223,458	78,300,353
Subsistence / Living cost	196,259,949	250,992,312
Overseas Salaries	51,840,536	69,506,321
Professional charges	35,347,303	41,538,704
Others	35,671,278	48,587,445
	382,342,524	488,925,135
8. Earnings in foreign exchange		
Software services rendered (Net)	2,360,942,195	2,435,768,787
Other Income	1,480,297	3,430,285
9. Income from Services includes loss on account of exchange fluctuation of Rs. 40,692,853 for the current year ended 31st March, 2010 (Previous year gain Rs. 27,714,181)		

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

Income Tax	Rs.
Domestic	99,994,568 (61,237,382)
Foreign	- (30,432)
Provision for Tax for earlier years written back (Net)	-14,409,351 (-)
Deferred Tax:	
Domestic	19,368,799 (23,492,679)
Provision for wealth tax	42,220 (43,000)
Fringe Benefit Tax	- (8,199,000)
Total	104,996,236 (93,002,493)

11. Deferred tax Asset (net) for the year ended 31st March, 2010 amounts to Rs. -21,913,800 (Rs. -27,487,944) which includes foreign exchange loss Rs. 2,545,001 (Loss of Rs. 3,995,265).

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

	DTA	DTL	Net DTA/DTL
Carry Forward Loss	57,712,523 (83,637,789)	- (-)	57,712,523 (83,637,789)
Others	1,944,760 (-)	4,752,198 (6,818,902)	-2,807,438 (-6,818,902)
Total	59,657,283 (83,637,789)	4,752,198 (6,818,902)	54,905,085 (76,818,887)

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

From 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 forecasted hedged transaction.

As at 31st March 2010, the Company recognized Rs. 1871.21 lacs (Previous year Rs.1031.06 lacs) into "Hedging Reserve" due to changes in fair value of the effective cash flow hedges.

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	8,847,126 (8,808,562)	6,727,468 (6,104,492)	15,574,594 (14,913,054)
P Srikar Reddy	6,653,660 (7,472,899)	3,363,734 (3,052,246)	10,017,394 (10,525,145)
M D Dalal		2,220,063 (2,014,482)	2,220,063 (2,014,482)
S B Ghia		1,345,494 (1,220,898)	1,345,494 (1,220,898)
Viren Raheja		1,345,494 (1,220,898)	1,345,494 (1,220,898)
Pradip P Shah		1,345,494 (1,220,898)	1,345,494 (1,220,898)
S N Talwar		1,345,494 (1,220,898)	1,345,494 (1,220,898)
B K Syngal		1,345,494 (1,220,898)	1,345,494 (1,220,898)

* 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 on 01.04.09	Transaction during the year	Amount received/paid during the year	Closing Balance as on 31.03.10
Purchase	- (-)	24,293,864 (9,174,330)	24,293,864 (9,174,330)	- (-)
Deputation Expenses	1,679,556 (-)	110,782,495 (109,584,867)	98,893,681 (107,905,311)	13,568,370 (1,679,556)
Service charges	- (6,841,231)	130,664,264 (161,074,199)	130,664,264 (167,915,430)	- (-)
Inter Corporate Deposit taken	- (-)	- (110,000,000)	- (110,000,000)	- (-)
Interest on Inter corporate Deposit taken	- (-)	- (554,063)	- (554,063)	- (-)
Inter Corporate Deposit given	- (-)	715,000,000 (120,000,000)	550,000,000 (120,000,000)	165,000,000 (-)
Interest on Inter Corporate Deposit given	- (-)	12,332,468 (357,945)	12,332,468 (357,945)	- (-)
Others	4,257,684 (2,563,434)	21,794,107 (3,400,980)	24,472,556 (1,706,730)	1,579,235 (4,257,684)
Total	5,937,240 (9,404,665)	1,014,867,198 (514,146,384)	840,656,833 (517,613,809)	180,147,605 (5,937,240)

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

Sonata Software North America Inc. (formerly Offshore Digital Services Inc.) 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 Sonata Software North America Inc. Under an agreement with Sonata Software North America Inc, Sonata shall develop and/or computer programs. Sonata has a necessary skills and capabilities to meet the Sonata Software North America Inc software development requirements from its off-shore development center in India. Transactions with the Company included in the financial statements as on 31st March, 2010 are as follows.

(Rs.)

Particulars	Opening balance as at 01.04.09	Transaction during the year	Amount received /paid/ adjusted during the year	Closing balance as on 31.03.10
Receivable	128,323,990 (127,597,631)	566,232,408 (400,679,823)	455,401,248 (399,953,465)	239,155,150 (128,323,990)
Living/Subistence allowance payable	5,295,211 (3,962,322)	43,555,884 (51,159,038)	44,036,360 (49,826,149)	4,814,735 (5,295,211)
Travelling Expenses	956,841 (2,433,851)	6,542,614 (14,850,759)	6,716,875 (16,327,769)	782,580 (956,841)
Assets Purchased	- (-)	120,728 (-)	65,158 (-)	55,570 (-)
Others	5,753,069 (5,763,076)	49,197,669 (56,898,598)	49,598,610 (56,908,605)	5,352,128 (5,753,069)

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, 2010 are as follows:

(Rs.)

Particulars	Opening balance as at 01.04.09	Transaction during the year	Amount received/ paid/adjusted during the year	Closing balance as at 31.03.10
Receivable	- (-)	53,346,999 (36,873,935)	41,511,806 (36,873,935)	11,835,193 (-)
Reimbursement of Expenses	1,250,277 (2,048,589)	2,828,332 (5,070,254)	3,717,591 (5,868,566)	361,018 (1,250,277)

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, 2010 are as follows:

(Rs.)

Particulars	Opening balance as at 01.04.09	Transaction during the year	Amount received/ paid during the year	Closing balance as at 31.03.10
Receivable	478,764 (1,356,893)	14,659,668 (7,020,748)	66,59,169 (7,898,877)	8,479,263 (478,764)
Reimbursement of Expenses	663,384 (-)	- (4,080,691)	663,384 (3,417,307)	- (663,384)

TUI InfoTec, 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, 2010 are as follows:

(Rs.)

Particulars	Opening balance as at 01.04.09	Transaction during the year	Amount received/ paid during the year	Closing balance as at 31.03.10
Receivable	14,425,564 (21,310,198)	295,740,182 (362,152,215)	295,742,132 (369,036,849)	14,423,614 (14,425,564)
Others	719,963 (716,310)	2,486,142 (2,217,231)	2,636,710 (2,213,578)	569,395 (719,963)

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:

(Rs.)

Particulars	Opening balance as at 01.04.09	Transaction during the year	Amount received (paid) /adjusted during the year	Closing balance as at 31.03.10
Receivable	6,540,171 (-)	75,215,687 (6,594,350)	30,996,017 (54,179)	50,759,841 (6,540,171)
Reimbursement of Expenses	4,574,915 (-)	3,963,418 (4,395,347)	6,236,737 (-179,568)	2,301,596 (4,574,915)

15. Employee Benefits :

(a) Gratuity

Defined benefit plan (Funded) - As per actuarial valuation as on March 31, 2010

(Rs.)

I	Change in Obligation during the year ended March 31, 2010	31.03.2010	31.03.2009
1	Present value of Defined Benefit Obligation at beginning of the year	64,955,440	44,764,954
2	Current Service Cost	10,440,040	9,509,695
3	Interest Cost	5,497,350	4,251,683
4	Actuarial (Gains)/Losses	(7,408,828)	8,686,340
5	Benefits Paid	(4,194,962)	(2,257,232)
6	Present value of Defined Benefit Obligation at the end of the year	69,289,040	64,955,440
II	Change in Assets during the year ended March 31, 2010		
1	Plan assets at the beginning of the year	66,508,077	44,764,954
2	Expected return on plan assets	5,587,968	5,476,349
3	Contributions by Employer	5,439,005	24,818,020
4	Actual benefits paid	(4,194,962)	(2,257,232)
5	Actuarial Gains/(Losses)	10,069,023	(6,294,014)
6	Plan Assets at the end of the year	83,409,111	66,508,077
III	Net Asset/(Liability) recognised in the Balance Sheet as at March 31, 2010		
1	Present Value of Defined Benefit Obligation as at March 31, 2010	69,289,040	64,955,440
2	Fair value of plan assets as at March 31, 2010	83,409,111	66,508,077
3	Fund status Surplus/(Deficit)	14,120,071	1,552,637
4	Net Assets/(Liability) as at March 31, 2010	14,120,071	1,552,637
IV	Expenses recognised in the statement of Profit & Loss for the year ended March 31, 2010		
1	Current Service Cost	10,440,040	9,509,695
2	Interest Cost	5,497,350	4,251,683
3	Expected return on plan assets	(5,587,968)	(5,476,349)
4	Net Actuarial (Gains)/Losses	(17,477,851)	14,980,354
5	Total Expense	(7,128,429)	23,265,383
V	The major categories of plan assets as a percentage of total plan		
	Insurer Managed Funds	100%	100%
VI	Actuarial Assumptions:		
1	Discount Rate	8.25%	7.50%
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 income and included in schedule 11 under "Miscellaneous Income"

(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. 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 annual period and previous two annual periods are as follows:

(Rs.)

	31.03.2010	31.03.2009	31.03.2008
Present value of Defined benefit obligation	69,289,040	64,955,440	44,764,954
Fair Value of Plan Assets	83,409,111	66,508,077	44,764,954
Surplus / (deficit)	14,120,071	1,552,637	-

(f) Estimated Contribution for the next year on account of gratuity is Nil (Rs. 12,132,766)

(g) Contribution/Provisions to superannuation and other funds stated under defined contribution plan is Rs.18,582,192 (Rs 15,376,579)

- 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.

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

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 70,428,748 (Rs. 64,402,105).

As of 31st March 2010 future minimum lease payments under non-cancellable operating leases for the period upto which the lease is non- cancellable are provided below:

(Rs.)

Year	Amount
2010-2011	26,352,002
2011-2012	15,356,276
2012-2013	12,459,576

As per our Report annexed

For and on behalf of the Board

For N M RAIJI & Co.

Chartered Accountants

Y N THAKKAR

Partner

Membership No: 33329

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 19th April, 2010



LIST OF RELATED PARTIES & NATURE OF RELATIONSHIP

	List of related parties	Nature of Relationship
S B Ghia Director	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
M D Dalal Executive Vice Chairman	Daltreya Investment & Finance Pvt. Ltd.	Spouse & sister are Directors
Viren Raheja Director	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 Ramaswamy Managing Director & President	Sonata Information Technology Ltd.	Director
	TUI InfoTec GmbH, Germany	Member of Supervisory Board
	Sonata Software FZ LLC, Dubai	Director
P Srikar Reddy Executive Vice President & COO	Sonata Information Technology Ltd.	Director
	TUI InfoTec GmbH, Germany	Managing Director
	Sonata Software FZ LLC, Dubai	Director
Subsidiaries	Sonata Information Technology Ltd.	Wholly owned subsidiary of Sonata
	Sonata Software FZ LLC, Dubai	Wholly owned subsidiary of Sonata
	Sonata Software North America 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	31.03.2010		

II Capital Raised During the Year (Rs.)

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

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

Total Liabilities	2,921,692,042	Total Assets	2,921,692,042
Sources of Funds			
Paid Up Capital	105,159,306	Reserves & Surplus	2,816,532,736
Secured Loans	NIL	Unsecured Loans	NIL
Deferred Tax Liability	NIL		
Application of Funds			
Net Fixed Assets	316,192,834	Investments	1,198,082,482
Net Current Assets	1,352,511,641	Deferred Tax Asset	54,905,085
Accumulated Losses	NIL	Misc. Expenditure	NIL

IV Performance of Company (Rs.)

Turnover	2,413,744,254	Total Expenditure	1,796,610,402
Profit Before Tax	617,133,852	Profit After Tax	602,029,742
Earning Per Share	5.72	Dividend Rate (Incl. Interim 90%)	170%

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
Membership No: 33329

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 19th April, 2010



Sonata Software Limited

CASH FLOW STATEMENT

(Rs.)

	YEAR ENDED 31.03.2010	YEAR ENDED 31.03.2009
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit before Tax	617,133,852	565,354,243
Adjustments for:		
Depreciation	77,664,907	81,316,414
Interest Received	(12,332,468)	(1,173,090)
Interest paid to bank	-	3,523,678
Interest paid to others	-	357,945
Provision for Doubtful Debts	21,073,432	11,537,756
Excess Provisions no longer required (net)	(2,098,659)	-
Service tax Input written back	-	(4,980,926)
(Profit)/Loss on sale of Fixed Assets	1,408,766	62,184
Dividend received	(2,424,940)	(610,892)
Operating Profit before Working Capital Changes	700,424,890	655,387,312
Adjustments for:		
Decrease/(Increase) in Sundry Debtors	(153,628,036)	(59,387,246)
Decrease/(Increase) in Inventories	-	15,680,980
Decrease/(Increase) in Other Current Assets	11,248,233	2,974,801
Decrease/(Increase) in Loans and Advances	23,673,391	(75,559,808)
(Decrease)/Increase in Current Liabilities & Provisions	(31,870,575)	25,085,952
Decrease/(Increase) in Deferred Tax	21,913,802	27,487,943
Cash generated from operations	571,761,705	591,669,934
Direct taxes / Advance tax paid	(143,615,387)	(28,353,000)
Net Cash from Operating Activities (A)	428,146,318	563,316,934
B. CASH FLOW FROM INVESTING ACTIVITIES		
Dividend received	2,424,940	610,892
Interest received	12,332,468	1,173,090
Purchase of Fixed Assets	(125,494,692)	(57,307,508)
Sale of Fixed Assets	2,587,281	158,814
Sale of Investments	1,268,916,260	271,592,303
Purchase of Investments	(1,323,897,670)	(291,610,893)
Redemption of investment in Subsidiaries	119,527,269	-
Investments in subsidiaries	-	(224,414,250)
Inter Corporate Deposit to subsidiary	(165,000,000)	-
Net Cash used in Investing Activities (B)	(208,604,144)	(299,797,552)
C. CASH FLOW FROM FINANCING ACTIVITIES		
Dividends / Dividend Taxes Paid	(110,961,040)	(258,365,373)
Interest paid to bank	-	(3,523,678)
Interest paid to others	-	(357,945)
Net cash from Financing Activities (C)	(110,961,040)	(262,246,996)
Net Increase /(Decrease) in Cash and Cash Equivalents (A+B+C)	108,581,134	1,272,386
Opening Cash and Cash Equivalents	139,627,852	138,355,466
Closing Cash and Cash Equivalents	248,208,986	139,627,852

Notes:

1. Cash and Cash Equivalents:

Cash and Cash Equivalents consists of cash on hand and balances with banks. Cash and Cash Equivalents included in the Cash Flow Statement comprise of the following balance sheet amounts:

(Rs.)

	YEAR ENDED 31.03.2010	YEAR ENDED 31.03.2009
Cash on hand and balance with banks	255,720,313	146,206,968
Cash and Cash Equivalents	255,720,313	146,206,968
Effect of exchange rate change	(7,511,327)	(6,579,116)
Cash and Cash Equivalents as restated	248,208,986	139,627,852

2. The Company has undrawn borrowing facilities of Rs. 898 lacs.

3. Direct taxes / Advance tax paid during the year ended 31.03.2010 amounted to Rs. 1436.15 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. 898.92 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 THAKKARPartner
Membership No: 33329**PRADIP P SHAH**

Chairman

S B GHIA

Director

M D DALAL

Executive Vice Chairman

B RAMASWAMYManaging Director
& President**VIREN RAHEJA**

Director

S N TALWAR

Director

BRIJENDRA K. SYNGAL

Director

P SRIKAR REDDYExecutive Vice President
& Chief Operating Officer**R SATHYANARAYANA**

AVP - Finance & Accounts

PRAVEEN KUMAR D

Company Secretary

Bangalore 19th April, 2010



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	Sonata Software North America, Inc.*	Sonata Software FZ LLC	Sonata Software GmbH	Sonata Europe Limited	TUI InfoTec GmbH
2. Financial year ended	31 st March, 2010	31 st March, 2010	31 st March, 2010	31 st March, 2010	31 st March, 2010	31 st March, 2010
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 not 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.76,197,519	Profit: USD 338,279	Profit: USD 116,260	Profit: EURO 39,120	Profit: GBP 429,061	Profit: EURO 1,999,524
6. The net aggregate of profits or losses for the previous financial years of the subsidiary so far as it concerns the members of the holding company						
a. dealt with or provided for in the accounts of the holding Company	NIL	NIL	NIL	NIL	NIL	NIL
b. not dealt with or provided for in the accounts of the holding Company	Profit: Rs.225,038,365	Loss: USD 2,955,858	Profit: USD 30,320	Profit: EURO 93,191	Profit: GBP 1,258,016	Profit: EURO 3,753,766

* (Formerly Offshore Digital Services Inc.)

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 19th April, 2010



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 2010 and also the Consolidated Profit and Loss Account for the period from 1st April 2009 to 31st March 2010 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 78,241,369 as at 31st March 2010 and total revenues of USD 163,074,019 for the period from 1st April 2009 to 31st March 2010. 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 Companies (Accounting Standards) Rules, 2006 and 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 2010;
- 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 2009 to 31st March 2010; 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, 2009 to 31st March 2010.

For **N. M. Raiji & Co.**
Chartered Accountants
Registration No: 108296W

CA.YN Thakkar
Partner

Place : Bangalore
Date : 19th April, 2010

Membership No: 33329



Sonata Software Limited - Consolidated Financial Statement

BALANCE SHEET AS AT 31ST MARCH, 2010

(Rs.)

	SCHEDULE	AS AT 31.03.2010	AS AT 31.03.2009
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Share Capital	1	105,159,306	105,159,306
Reserves and Surplus	2	3,533,719,003	2,662,872,112
		3,638,878,309	2,768,031,418
MINORITY INTEREST			
		396,692,427	308,055,453
LOAN FUNDS			
Secured Loans	3	299,372,401	33,745,000
DEFERRED TAX LIABILITY			
		95,517	1,023,971
TOTAL FUNDS EMPLOYED			
		4,335,038,654	3,110,855,842
APPLICATION OF FUNDS			
FIXED ASSETS			
Gross Block	4	7,921,593,982	7,474,915,554
Less : Depreciation		6,078,590,272	5,621,326,735
Net Block		1,843,003,710	1,853,588,819
Capital work-in-progress & advances		3,950,001	56,324,250
		1,846,953,711	1,909,913,069
INVESTMENTS			
	5	457,898,415	80,973,829
DEFERRED TAX ASSET			
		156,621,684	198,884,922
CURRENT ASSETS, LOANS & ADVANCES			
Inventories	6	147,277,577	54,748,872
Sundry Debtors	7	1,939,315,142	2,777,512,065
Cash and Bank Balances	8	731,078,341	817,367,943
Other Current Assets	9	90,801,925	82,531,101
Loans and Advances	10	1,866,788,825	1,196,396,362
		4,775,261,810	4,928,556,343
Less: CURRENT LIABILITIES & PROVISIONS			
Current Liabilities	11	2,193,886,387	3,402,215,721
Provisions	12	707,810,579	605,256,600
		2,901,696,966	4,007,472,321
NET CURRENT ASSETS			
		1,873,564,844	921,084,022
TOTAL FUNDS APPLIED			
		4,335,038,654	3,110,855,842
NOTES FORMING PART OF ACCOUNTS			
	19		

As per our Report annexed

For and on behalf of the Board

For N M RAIJI & Co.
Chartered Accountants

CA.Y N THAKKAR
Partner
Membership No: 33329

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 19th April, 2010

Sonata Software Limited - Consolidated Financial Statement

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

(Rs.)

	SCHEDULE	YEAR ENDED 31.03.2010	YEAR ENDED 31.03.2009
INCOME			
Sales and Services (Net)	13	13,804,446,445	15,911,670,226
Other Income	14	128,460,079	109,521,335
Total Income		13,932,906,524	16,021,191,561
EXPENDITURE			
Operating and Other Expenses	15	7,767,023,749	8,532,063,302
Purchase of traded items	16	4,514,368,636	5,751,998,739
Interest	17	67,030,217	66,942,254
Depreciation		491,724,586	435,018,216
Bad debts		3,764,490	4,721,060
Provision for Doubtful Debts		29,415,731	14,501,306
		12,873,327,409	14,805,244,877
Add/(Less): (Increase) / Decrease in Stocks	18	(92,528,705)	89,959,978
		12,780,798,704	14,895,204,855
Profit Before Tax		1,152,107,820	1,125,986,706
Provision for Tax (refer schedule 19, note 1)		287,748,476	282,787,456
MAT credit		(89,892,126)	(61,237,382)
Profit After Tax before minority interest/share of earning in affiliates		954,251,470	904,436,632
Share in earning of affiliates		(15,367,893)	2,510,048
Minority Interest		(140,140,104)	(141,267,605)
Profit After Tax after minority interest/share of earning in affiliates		798,743,473	765,679,075
Add : Balance of Profit brought forward from previous year		1,810,646,757	1,288,042,679
Disposable Surplus		2,609,390,230	2,053,721,754
Proposed Dividend		84,127,445	-
Interim Dividend		94,643,375	157,738,959
Provision for Dividend Tax		30,057,370	26,807,736
Transfer to General Reserve		70,000,000	60,000,000
Balance carried to Balance Sheet		2,330,562,040	1,809,175,059
		2,609,390,230	2,053,721,754
NOTES FORMING PART OF ACCOUNTS	19		
EPS - Basic (on Re.1/- per share)		7.60	7.28
EPS - Diluted (on Re.1/- per share)		7.60	7.28

As per our Report annexed By Order of the Board of Directors

For N M RAIJI & Co.
Chartered Accountants

CA.Y N THAKKAR
Partner
Membership No: 33329

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 19th April, 2010



Sonata Software Limited - Consolidated Financial Statement

SCHEDULES ATTACHED TO AND FORMING PART OF THE CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2010

(Rs.)

	AS AT 31.03.2010	AS AT 31.03.2009
SCHEDULE 1 : SHARE CAPITAL		
Authorised :		
150,000,000 Equity Shares of Re.1/- each <i>(Previous year 150,000,000 Equity Shares of Re.1/- each)</i>	<u>150,000,000</u>	<u>150,000,000</u>
Issued :		
105,159,306 Equity Shares of Re.1/- each <i>(Previous year 105,159,306 Equity Shares of Re.1/- each)</i>	<u>105,159,306</u>	<u>105,159,306</u>
Subscribed and Paid-Up :		
105,159,306 Equity shares of Re.1/- each fully paid-up <i>(Previous year 105,159,306 Equity Shares of Re.1/- each)</i>	<u>105,159,306</u>	<u>105,159,306</u>
Of the above :		
(1) 17,500,000 shares of Re.1/- each, have been allotted as fully paid pursuant to a contract without payment being received in cash.		
(2) 42,270,800 equity shares of Re. 1/- each, fully paid up, have been allotted as bonus shares by capitalization of balance in Profit & Loss Account.		
SCHEDULE 2 : RESERVES AND SURPLUS		
Securities Premium Account	450,924,411	450,924,411
General Reserve		
Balance brought forward	478,154,246	418,154,246
Add: Transferred from Profit and Loss account	<u>70,000,000</u>	<u>60,000,000</u>
	548,154,246	478,154,246
Capital Redemption Reserve*	26,253,060	26,253,060
Profit and Loss Account		
Adjustment in Reserves of TUI Infotec GmbH	<u>2,330,562,040</u>	<u>1,809,175,059</u>
	-	1,471,698
	2,330,562,040	1,810,646,757
Hedging Reserve	<u>177,825,246</u>	<u>(103,106,362)</u>
	<u>3,533,719,003</u>	<u>2,662,872,112</u>
* (Capital Redemption Reserve is created on account of buyback of the shares of Sonata Information Technology Limited)		
SCHEDULE 3: SECURED LOANS		
From banks	<u>299,372,401</u>	<u>33,745,000</u>

Sonata Software Limited - Consolidated Financial Statement

Schedules (Contd.)

SCHEDULE 4: FIXED ASSETS

Assets	Gross Block				Depreciation				Net Block as at 31.03.2010
	Cost as at 01.04.2009	Additions	Deductions/ Adjustments	Cost as at 31.03.2010	As at 01.04.2009	For the Year	Deductions/ Adjustments	As at 31.03.2010	
Goodwill	1,197,681,322 (1,197,681,322)	- (-)	- (-)	1,197,681,322 (1,197,681,322)	166,252,754 (163,613,104)	2,160,534 (2,639,650)	8,930 (-)	168,404,358 (166,252,754)	1,029,276,964 (1,031,428,568)
Leasehold Land	35,200,000 (-)	- (35,200,000)	- (-)	35,200,000 (35,200,000)	179,592 (-)	1,076,603 (179,592)	- (-)	1,256,195 (179,592)	33,943,805 (35,020,408)
Buildings	15,493,000 (15,493,000)	- (-)	- (-)	15,493,000 (15,493,000)	2,209,631 (1,957,094)	252,536 (252,537)	- (-)	2,462,167 (2,209,631)	13,030,833 (13,283,369)
Leasehold Improvements	101,991,301 (99,510,125)	64,491,385 (2,481,176)	(109,488) (-)	166,592,174 (101,991,301)	50,776,776 (34,262,662)	22,750,156 (16,514,114)	(1,135,966) (-)	74,662,898 (50,776,776)	91,929,276 (51,214,525)
Plant & Machinery	5,751,253,599 (5,532,864,537)	366,547,561 (460,064,911)	35,641,724 (241,675,849)	6,082,159,436 (5,751,253,599)	5,180,712,322 (5,011,846,664)	441,424,703 (399,625,944)	40,806,436 (230,760,286)	5,581,330,589 (5,180,712,322)	500,828,847 (570,541,277)
Furniture & Fixtures	112,750,407 (111,478,170)	2,391,776 (1,454,451)	2,178,134 (182,214)	112,964,049 (112,750,407)	84,579,841 (77,845,870)	6,844,364 (6,869,499)	1,130,042 (135,528)	90,294,163 (84,579,841)	22,669,886 (28,170,566)
Motor Car & Vehicles	11,148,330 (9,461,520)	3,159,321 (1,686,810)	2 (-)	14,307,649 (11,148,330)	5,659,177 (4,102,492)	1,731,578 (1,556,685)	1 (-)	7,390,754 (5,659,177)	6,916,895 (5,489,153)
Air Conditioners & Other Equipments	249,397,595 (207,238,425)	47,943,322 (43,252,564)	144,565 (1,093,394)	297,196,352 (249,397,595)	130,956,642 (116,894,047)	15,484,112 (7,380,195)	(6,348,394) (-6,682,400)	152,789,148 (130,956,642)	144,407,204 (118,440,953)
TOTAL	7,474,915,554 (7,173,727,099)	484,533,365 (544,139,912)	37,854,937 (242,951,457)	7,921,593,982 (7,474,915,554)	5,621,326,735 (5,410,521,933)	491,724,586 (435,018,216)	34,461,049 (224,213,414)	6,078,590,272 (5,621,326,735)	1,843,003,710 (1,853,588,819)
Capital work in progress & advances									3,950,001 (56,324,250)
GRAND TOTAL									1,846,953,711 (1,909,913,069)

Note:

- Figures in brackets pertain to previous year ended 31st March, 2009.
- Buildings include cost of shares Rs.7,000(Previous year Rs.7,000).
- Plant and Machinery includes Computer and Software.

	AS AT 31.03.2010	AS AT 31.03.2009
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SCHEDULE 5 : INVESTMENTS

LONG TERM (AT COST)

IN FOREIGN HOLDINGS

UNQUOTED

In TUI Infotec Group Undertaking	1,184,572	1,184,572
In TUI Infotec associate companies	25,865,251	44,571,252

QUOTED

Commerz Bank Money Market Fund 249 units at Euro 5137.92 per unit	86,515,252	-
138 shares of Principal Financial Group Inc., (Previous period: 138 Shares of US \$ 30.13 per share)	30,718	199,415

113,595,793 **45,955,239**

SHORT TERM, (AT COST, UNLESS OTHERWISE SPECIFIED)

MUTUAL FUNDS (QUOTED)

Birla Sun Life Liquid Plus 3,997,281.848 units at Rs. 10.0068 per unit (Previous year: 2000498.614 units at Rs. 10.0068 per unit)	40,000,000	20,018,590
Standard Chartered Mutual Fund (Previous year: 1,489,528.614 units at Rs.10.0055 per unit)	-	15,000,000
Reliance Medium Term Fund 2924677.847 units at Rs. 17.0959 per unit (Previous year - Nil)	50,000,000	-
Marketable securities 41,228 units at Euro 101.99 per unit (Previous year - Nil)	254,302,622	-

344,302,622 **35,018,590**
457,898,415 **80,973,829**

Sonata Software Limited - Consolidated Financial Statement

Schedules (Contd.)

(Rs.)

	AS AT 31.03.2010	AS AT 31.03.2009
SCHEDULE 6 : INVENTORIES		
In process	64,758,883	20,029,058
Finished Products	82,518,694	34,719,814
	147,277,577	54,748,872
SCHEDULE 7 : SUNDRY DEBTORS		
Unsecured		
Debts outstanding for a period exceeding six months		
Considered Good	140,585,723	197,329,238
Considered Doubtful	45,510,966	25,468,345
	186,096,689	222,797,583
Other Debts Considered Good	1,798,729,419	2,580,182,827
	1,984,826,108	2,802,980,410
Less : Provision for Doubtful Debts	45,510,966	25,468,345
	1,939,315,142	2,777,512,065
SCHEDULE 8 : CASH AND BANK BALANCES		
Cash and Cheques on hand	283,843	413,029
Balances with Scheduled Banks :		
In Current Accounts	198,485,579	251,703,803
In Deposit Accounts	183,496,110	117,372,328
In Unclaimed Dividend Account	6,242,148	6,545,934
Balances with other banks in current account :		
Bank of America, New York, USA <i>(Maximum balance held during the year Rs.84,824,586 Previous year Rs.45,192,513)</i>	30,037,465	7,509,835
PNC Bank N A, New Jersey, USA <i>(Maximum balance held during the year Rs.11,278,717 Previous year Rs.17,453,996)</i>	775,929	1,138,717
Hong Kong and Shanghai Banking Corporation, Singapore <i>(Maximum balance held during the year Rs. 415,691 Previous year Rs. 666,353)</i>	190,683	520,942
Hong Kong and Shanghai Banking Corporation, London, UK <i>(Maximum balance held during the year Rs.60,057,452 Previous year Rs.110,745,120)</i>	18,578,733	14,873,791
Hong Kong and Shanghai Banking Corporation, London, UK-Imprest A/c <i>(Maximum balance held during the year Rs 20,341,781 Previous year Rs 61,211,429)</i>	11,280,445	1,127,844
Bank of America, San Leandro, USA <i>(Maximum balance held during the year Rs.152,526,156 Previous year Rs.46,882,655)</i>	14,572,947	23,863,542
Hypovereinsbank, Germany <i>(Maximum balance held during the year Rs. 25,167,944 Previous year Rs.35,276,108)</i>	6,782,049	19,818,036
Deutsche Bank-GmbH, Germany <i>(Maximum balance held during the year Rs. 22,892,935 Previous year Rs. 19,003,810)</i>	16,244,327	1,747,080
Commerz Bank-TUI InfoTec GmbH, Germany <i>(Maximum balance held during the year Rs. 846,978,621 Previous year Rs. 480,986,056)</i>	219,998,481	350,323,534
Dresdner Bank-TUI InfoTec GmbH, Germany <i>(Maximum balance held during the year Rs.23,247,192 Previous year Rs.395,270,000)</i>	17,098,107	17,076,524
Emirates Bank, UAE <i>(Maximum balance held during the year Rs.14,743,801 Previous year Rs. 6,614,250)</i>	847,412	1,976,476
Emirates Bank, UAE <i>(Maximum balance held during the year Rs. 2,730,022)</i>	484,522	-
Standard Chartered Bank, UAE <i>(Maximum balance held during the year Rs. 12,346,703)</i>	4,726,485	-
Standard Chartered Bank, UAE <i>(Maximum balance held during the year Rs. 896,734)</i>	84,826	-
Balances with other banks in Deposit Account:		
Bank of America, San Leandro, USA	868,250	1,356,528
	731,078,341	817,367,943

Sonata Software Limited - Consolidated Financial Statement

Schedules (Contd.)

(Rs.)

	AS AT 31.03.2010	AS AT 31.03.2009
SCHEDULE 9 : OTHER CURRENT ASSETS		
Income Accrued but not due	<u>90,801,925</u>	<u>82,531,101</u>
SCHEDULE 10 : LOANS AND ADVANCES		
Unsecured		
(Considered good, unless otherwise stated)		
Advances recoverable in cash or in kind or for value to be received	1,025,248,591	753,102,451
Advance payment of tax (net of provisions)	<u>841,540,234</u>	<u>443,293,911</u>
	<u>1,866,788,825</u>	<u>1,196,396,362</u>
SCHEDULE 11 : CURRENT LIABILITIES		
Sundry Creditors		
Micro and Small Enterprises	-	-
Others	<u>1,018,950,142</u>	<u>1,631,653,481</u>
	1,018,950,142	1,631,653,481
Other Liabilities	1,168,157,288	1,764,016,306
Investor Education and Protection Fund (Not Due)	<u>6,778,957</u>	<u>6,545,934</u>
	<u>2,193,886,387</u>	<u>3,402,215,721</u>
SCHEDULE 12 : PROVISIONS		
Pension	592,965,164	592,436,582
Compensated Absences	16,745,243	12,820,018
Dividend	84,127,445	-
Dividend Tax	<u>13,972,727</u>	<u>-</u>
	<u>707,810,579</u>	<u>605,256,600</u>
	Year Ended 31.03.2010	Year Ended 31.03.2009
SCHEDULE 13 : SALES AND SERVICES (Net)		
Sales	9,772,942,333	11,300,264,974
Services	<u>4,031,504,112</u>	<u>4,611,405,252</u>
	<u>13,804,446,445</u>	<u>15,911,670,226</u>
SCHEDULE 14 : OTHER INCOME		
Interest received - Gross	32,621,527	17,469,443
(Tax Deducted at Source is Rs. 21,241, Previous year Rs. 395,224)		
Excess Provisions no longer required (net)	2,423,733	2,462,458
Service tax Input written back	-	18,347,829
Dividend Received	4,135,162	1,689,680
Miscellaneous Income	<u>89,279,657</u>	<u>69,551,925</u>
	<u>128,460,079</u>	<u>109,521,335</u>



Sonata Software Limited - Consolidated Financial Statement

Schedules (Contd.)

	Year Ended 31.03.2010	Year Ended 31.03.2009
		(Rs.)
SCHEDULE 15 : OPERATING AND OTHER EXPENSES		
Salaries, Wages, Bonus and Allowances (Including Directors' remuneration)	4,065,481,952	3,951,193,233
Contribution to Provident Fund and other Funds	62,167,310	93,958,154
Staff Welfare Expenses	59,776,991	80,316,175
	4,187,426,253	4,125,467,562
Power and Fuel	36,829,924	35,294,113
Rent	1,162,094,369	1,074,857,485
Rates & Taxes	2,173,701	3,749,677
Insurance	32,814,431	43,994,282
Repairs to :		
Plant and Machinery	175,377,542	178,513,410
Others	160,424,445	201,021,459
	335,801,987	379,534,869
Travelling and Conveyance Expenses	166,354,202	214,233,157
Subsistence/Living Cost	209,989,705	252,914,948
Legal, Prof & Technical Fees	1,015,816,911	1,557,121,916
Communication Cost	453,892,081	594,262,072
Auditor's Remuneration :		
Audit Fees	5,425,785	2,533,362
Taxation Matters	76,650	-
Certification	545,000	413,000
Out of pocket expenses	28,631	-
	6,076,066	2,946,362
Royalty	-	571,630
Commission on Sales	4,887,083	9,795,545
Miscellaneous Expenses	80,323,761	106,627,038
Foreign exchange variation	67,299,023	130,046,329
Loss on sale of Fixed Assets (net)	5,244,252	646,317
	7,767,023,749	8,532,063,302
SCHEDULE 16 : PURCHASE OF TRADED ITEMS		
Purchase of traded items	4,514,368,636	5,751,998,739
SCHEDULE 17 : INTEREST		
Interest on Fixed Loans	-	7,391,652
Interest others	67,030,217	59,550,602
	67,030,217	66,942,254
SCHEDULE 18: (INCREASE)/DECREASE IN STOCKS		
Opening Stock :		
In process	20,029,058	17,845,483
Finished Products	34,719,814	126,863,367
	54,748,872	144,708,850
Closing Stock :		
In process	64,758,883	20,029,058
Finished Products	82,518,694	34,719,814
	147,277,577	54,748,872
(Increase) / Decrease in Stocks	(92,528,705)	89,959,978

Schedule 19 : Notes to Consolidated Financial Statements

Overview

Sonata Software limited (SSL), together with its subsidiaries Sonata Information Technology limited (SITL), Sonata Software North America Inc (formerly Offshore Digital Services Inc.), 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, Lotus, Oracle and Computer Associates. 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.

Sonata Software North America Inc.(formerly Offshore Digital Services Inc.) is a wholly owned subsidiary of SSL incorporated in USA, based in Fremont, California. Sonata Software North America Inc provides computer-programming services to companies throughout the United States.

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

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

TUI InfoTec GmbH , a subsidiary company of SEL , incorporated in Germany provides software services and IT infrastructure management , throughout Europe. SEL holds 50.1% stake in TUI 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 2009 and ending on 31st March, 2010

have been prepared incorporating Accounting Policies of the parent company under the historical cost convention, in compliance with Indian Generally Accepted Accounting Practices ("GAAP") comprising of 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 loss on account of exchange fluctuation of Rs. 43,589,355 for the current year ended 31st March 2010 and a gain of Rs. 43,923,198 for the previous year ended 31st March 2009.

Good will:

Goodwill resulting from acquiring the control of its subsidiary, Sonata Software North America Inc , 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 profits attributable to the minority share holders of TUI InfoTec GmbH, Germany.

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 (31/12/09) . 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 31.03.10
Accon-RVS Accounting GmbH*	50%	37,939,268 (39,223,592)	-18,295,947 (-1,284,324)	19,643,321 (37,939,268)
BOSYS Software GmbH**	25.2%	6,631,984 (2,824,805)	-410,054 (3,807,179)	6,221,930 (6,631,984)
Total		44,571,252 (42,048,397)	-18,706,001 (2,522,855)	25,865,251 (44,571,252)

* 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, 2010 consists of following:

(Rs.)

Income Tax	
Domestic	141,150,770 (107,142,381)
Provision for Tax for earlier year written back (net)	-14,409,352 (-)
Foreign	138,999,594 (135,839,448)
Provision for Tax for earlier year provided (net)	247,911 (-)
Deferred Tax	
Domestic	17,312,754 (23,155,372)
Foreign	4,404,579 (73,28,255)
Provision for Wealth Tax	42,220 (43,000)
Fringe Benefit Tax	(-) (9,279,000)
Total	287,748,476 (282,787,456)

2. Deferred Income Tax:

Deferred tax Asset (net) for the year ended 31st March, 2010 amounts to Rs. -41,334,783 (Rs. -30,690,537). DTA for the current year ended 31st March 2010 includes foreign exchange loss Rs. 19,617,450 (Gain of Rs. 2,476,780).

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

(Rs.)

	DTA	DTL	Net DTA/DTL
Carry Forward Loss	158,176,927 (205,703,824)	- (-)	158,176,927 (205,703,824)
Others	3,519,556 (-)	5,170,316 (7,842,873)	- 1,650,760 (-74,842,873)
Total	161,696,483 (205,703,824)	5,170,316 (7,842,873)	156,526,167 (197,860,951)

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

31.03.2010

79,826,519

31.03.2009

65,875,306

Sonata Software Limited - Consolidated Financial Statement

Schedules (Contd.)

	<u>31.03.2010</u>	<u>31.03.2009</u>
		(Rs.)
4. Contingent Liabilities not provided for	2,259,866,767	33,651,261
I. Disputed Income Tax demands as explained below: (Inclusive of Interest Charged)		
Sonata Software Limited	1,294,841,611	33,651,261
a) An amount of Rs. 28.42 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 favourable to the Company.		
Further, one of the principal suppliers of software to the Company has paid Rs 8.79 crores out of above mentioned demand thus reducing the Company's liability.		
b) An amount of Rs 77.38 crores represents demands relating to the financial years 1996-1997, 1997-1998, 1998-1999 and 1999-2000 on which the Income Tax Department has gone on appeal to the Income Tax Appellate Tribunal against favourable orders received by the Company. These demands have arisen on account of 'disallowance of expenditure on which tax has not been deducted at source'. This issue is in principle connected to (a) above.		
c) An amount of Rs. 23.68 crores represents demands raised by the Income-tax officer at the initial assessment level for the financial year 2005-06. The Company has preferred an appeal to the Commissioner of Income Tax (Appeals) against the aforementioned demand. Further, the substantial issues giving rise to the demand have been adjudicated in earlier years, and the Company has received favorable orders from the Income-Tax Appellate Tribunal on the same		
Sonata Information Technology Limited	957,917,339	-
a) 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.		
b) 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 (a) above.		
II. Disputed KVAT from commercial tax department		
Sonata Software Limited	6,813,800	6,813,800
Sonata Information Technology Limited	294,017	-
III. Claims against the Company not acknowledged as debts -		
Sonata Software Limited:	6,970,461	21,677,210
IV. Corporate Guarantees		
a) Sonata Software Ltd has given corporate guarantee to IBM Ltd on behalf of Sonata Information Technology Limited for a value of Rs.5 Crores.		
b) Sonata Software Ltd has provided an indemnity of US\$ 0.5 million to Standard Chartered Bank, India to cover working capital limits provided by Standard Chartered Bank, Dubai to Sonata Software FZ LLC, Dubai.		

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

From 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 forecasted hedged transaction.

As at 31st March 2010, the Company recognized Rs. 1778.25 lacs (Previous Year Rs. -1031.06 lacs) into "Hedging Reserve" due to changes in fair value of the effective cash flow hedges by adding it to Reserve and Surplus

6. 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.

Primary Reporting Requirement - Profit & Loss Account

(Rs.)

	Domestic	International	Total
Revenue	5,006,851,026 (6,382,964,806)	8,797,595,419 (9,528,705,420)	13,804,446,445 (15,911,670,226)
Direct and allocated Segment Cost	4,885,912,327 (6,253,479,291)	7,336,131,574 (8,139,765,094)	12,222,043,901 (14,393,244,385)
Inter - Segment Cost	- (-)	- (-)	- (-)
Total Cost	4,885,912,327 (6,253,479,291)	7,336,131,574 (8,139,765,094)	12,222,043,901 (14,393,244,385)
Operating Profit	120,938,699 (129,485,515)	1,461,463,845 (1,388,940,326)	1,582,402,544 (1,518,425,841)
Other Income	20,636,468 (21,590,112)	107,823,611 (87,931,223)	128,460,079 (109,521,335)
Profit Before Interest, Depreciation and Tax	141,575,167 (151,075,627)	1,569,287,456 (1,476,871,549)	1,710,862,623 (1,627,947,176)
Depreciation	2,995,116 (4,085,003)	488,729,470 (430,933,213)	491,724,586 (435,018,216)
Profit Before Interest and Tax	138,580,051 (146,990,624)	1,080,557,986 (1,045,938,336)	1,219,138,037 (1,192,928,960)
Interest	14,076,927 (15,668,497)	52,953,290 (51,273,757)	67,030,217 (66,942,254)
Profit Before Tax	124,503,124 (131,322,127)	1,027,604,696 (994,664,579)	1,152,107,820 (1,125,986,706)
Provision for Taxation	39,100,158 (46,647,693)	248,648,318 (236,139,763)	287,748,476 (282,787,456)
MAT Credit	- (-)	-89,892,126 (-61,237,382)	-89,892,126 (-61,237,382)
Profit After Tax	85,402,965 (84,674,434)	868,848,505 (819,762,199)	954,251,470 (904,436,632)
Less : Minority interest	- (-)	140,140,104 (141,267,605)	140,140,104 (141,267,605)
Add: Share of profit of Associates	-	-15,367,893 (2,510,048)	-15,367,893 (2,510,048)
Profit After Tax and after minority interest and share of profit of Associates	85,402,965 (84,674,434)	713,340,508 (681,004,642)	798,743,473 (765,679,075)

Sonata Software Limited - Consolidated Financial Statement

Schedules (Contd.)

Primary Reporting Requirement - Assets and Liabilities

(Rs.)

	Domestic	International	Total
FIXED ASSETS			
Gross Block	31,927,071 (33,018,624)	7,889,666,911 (7,441,896,930)	7,921,593,982 (7,474,915,554)
Less: Depreciation	27,952,957 (26,078,139)	6,050,637,315 (5,595,248,596)	6,078,590,272 (5,621,326,735)
Net Block	3,974,114 (6,940,485)	1,839,029,596 (1,846,648,334)	1,843,003,710 (1,853,588,819)
Capital WIP & Advances	- (-)	3,950,001 (56,324,250)	3,950,001 (56,324,250)
Investments	- (-)	457,898,415 (80,973,829)	457,898,415 (80,973,829)
CURRENT ASSETS, LOANS AND ADVANCES			
Inventories	77,286,576 (28,890,814)	69,991,001 (25,858,058)	147,277,577 (54,748,872)
Sundry Debtors	785,949,771 (1,205,226,725)	1,153,365,371 (1,572,285,340)	1,939,315,142 (2,777,512,065)
Cash and Bank Balances	87,212,623 (169,183,809)	643,865,718 (648,184,134)	731,078,341 (817,367,943)
Other Current Assets	20,253,750 (10,800,000)	70,548,175 (71,731,101)	90,801,925 (82,531,101)
Loans and Advances	1,031,061,162 (735,045,876)	835,727,663 (461,350,486)	1,866,788,825 (1,196,396,362)
LESS: CURRENT LIABILITIES AND PROVISIONS			
Current Liabilities	1,269,810,932 (1,869,273,995)	924,075,455 (1,532,941,726)	2,193,886,387 (3,402,215,721)
Provisions	1,232,255 (964,499)	706,578,324 (604,292,101)	707,810,579 (605,256,600)
NET CURRENT ASSETS	730,720,694 (278,908,730)	1,142,844,150 (642,175,292)	1,873,564,844 (921,084,022)
DEFERRED TAX ASSET (NET)	1,252,195 (-803,850)	155,273,972 (198,664,801)	156,526,167 (197,860,951)

Sonata Software Limited - Consolidated Financial Statement

Schedules (Contd.)

Secondary Reporting Requirement - Business Segment

(Rs.)

	Products	Services	Common	Total
Revenue	9,772,942,333 (11,300,264,974)	4,031,504,112 (4,611,405,252)	- (-)	13,804,446,445 (15,911,670,226)
FIXED ASSETS				
Gross Block	- (-)	- (-)	7,921,593,982 (7,474,915,554)	7,921,593,982 (7,474,915,554)
Less: Accumulated Depreciation	- (-)	- (-)	6,078,590,272 (5,621,326,735)	6,078,590,272 (5,621,326,735)
Net Block	- (-)	- (-)	1,843,003,710 (1,853,588,819)	1,843,003,710 (1,853,588,819)
Capital Work-in-Progress	- (-)	- (-)	3,950,001 (56,324,250)	3,950,001 (56,324,250)
Deferred Tax Assets (Net)	- (-)	- (-)	156,526,167 197,860,951	156,526,167 197,860,951
CURRENT ASSETS				
Inventories	82,522,116 (28,890,814)	64,755,461 (-)	- (25,858,058)	147,277,577 (54,748,872)
Sundry Debtors	785,949,771 (1,205,226,726)	350,677,063 (344,835,953)	802,688,308 (1,227,449,386)	1,939,315,142 (2,777,512,065)
Cash and Bank Balances	- (-)	- (-)	731,078,341 (817,367,943)	731,078,341 (817,367,943)
Other Current Assets	20,253,750 (10,800,000)	52,262,624 (71,731,101)	18,285,551 (-)	90,801,925 (82,531,101)
Loans and Advances	1,031,061,162 (399,594,861)	668,396,263 (564,328,989)	167,331,400 (232,472,512)	1,866,788,825 (1,196,396,362)
Capital Expenditure	- (-)	- (-)	(350,352,030) (526,367,948)	(350,352,030) (526,367,948)

7. 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

(a) Sonata Software Limited

(Rs.)

Name	Salaries	Commission provided during the year	Grand Total
B Ramaswamy	8,847,126 (8,808,562)	6,727,468 (6,104,492)	15,574,594 (14,913,054)
P Srikar Reddy	6,653,660 (7,472,899)	3,363,734 (3,052,246)	10,017,394 (10,525,145)
M D Dalal		2,220,063 (2,014,482)	2,220,063 (2,014,482)
S B Ghia		1,345,494 (1,220,898)	1,345,494 (1,220,898)
Viren Raheja		1,345,494 (1,220,898)	1,345,494 (1,220,898)
Pradip P Shah		1,345,494 (1,220,898)	1,345,494 (1,220,898)
S N Talwar		1,345,494 (1,220,898)	1,345,494 (1,220,898)
B K Syngal		1,345,494 (1,220,898)	1,345,494 (1,220,898)

(b) Sonata Information Technology Limited

Sujith Mohanty	3,381,430 (3,368,331)	- (-)	3,381,430 (3,368,331)
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8. Employee Benefits :

(a) Gratuity / Pension Plan

Defined benefit plan (Funded) - Gratuity / Pension Plan as per actuarial valuation as on March 31, 2010.

(Rs.)

	Funded		Unfunded	
	31.03.2010	31.03.2009	31.03.2010	31.03.2009
I Change in Obligation during the year ended March 31, 2010				
1 Present value of Defined Benefit Obligation at beginning of the year	71,613,960	50,919,657	694,912,289	517,596,406
2 Current Service Cost	11,217,093	10,303,241	37,282,236	37,601,084
3 Interest Cost	6,015,146	4,786,801	38,024,402	21,345,949
4 Actuarial (Gains)/Losses	(8,322,464)	8,380,038	68,844,528	124,867,708
5 Benefits Paid	(5,258,205)	(2,775,777)	(7,395,154)	(6,498,859)
6 Present value of Defined Benefit Obligation at the end of the year	75,265,530	71,613,960	831,668,301	694,912,289
II Change in Assets during the year ended March 31, 2010				
1 Plan assets at the beginning of the year	74,632,728	49,156,155	-	-
2 Expected return on plan assets	6,273,263	6,159,100	-	-
3 Contributions by Employer	6,412,167	29,220,481	-	-
4 Actual benefits paid	(5,258,205)	(2,775,777)	-	-
5 Actuarial Gains / (Losses)	11,194,210	(7,127,231)	-	-
6 Plan Assets at the end of the year	93,254,163	74,632,728	-	-
III Net Asset/(Liability) recognised in the Balance Sheet as at March 31, 2010				
1 Present Value of defined Benefit Obligation	75,265,530	71,613,960	831,668,301	694,912,289
2 Fair value of plan assets	93,254,163	74,632,728	-	-
3 Net Assets / (Liability)	17,988,633	3,018,768	(831,668,301)	694,912,289
IV Expenses recognised in the statement of Profit & Loss for the year ended March 31, 2010				
1 Current Service Cost	11,217,093	10,303,241	36,960,847	28,780,287
2 Interest Cost	6,015,146	4,786,801	39,944,034	32,757,707
3 Expected return on plan assets	(6,273,263)	(6,159,100)	-	-
4 Net Actuarial (Gains)/Losses	(19,516,674)	15,507,269	-	-
5 Total Expense	(8,557,698)	24,438,211	76,904,881	61,537,994
V The major categories of plan assets as a percentage of total plan				
Insurer Managed Funds	100%	100%	-	-
VI Actuarial Assumptions:				
1 Discount Rate	8.25%	7.50%	4.70%	5.75%
2 Expected rate of return on plan assets	8.00%	8.00%	N.A.	N.A.
3 Mortality Table	LIC (1994-96) Ultimate	LIC (1994-96) Ultimate	Richttafein 2005Gvon Prof. Dr.Heubeck	Richttafein 2005Gvon Prof. Dr.Heubeck
4 Retirement Age	58 or 60 years as applicable	58 or 60 years as applicable	63 Years	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 TUI InfoTec GmbH.



Sonata Software Limited - Consolidated Financial Statement

Schedules (Contd.)

(b) Basis used to determine expected rate of return on assets (For Funded plans) 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 annual period and previous two annual periods are as follows: (Rs.)

	30.03.2010	30.03.2009	30.03.2008
Present value of Defined benefit obligation	75,265,530	71,613,960	50,919,657
Fair Value of Plan Assets	93,254,163	74,632,728	49,156,155
Surplus / (deficit)	17,988,633	3,018,768	(1,763,502)

(e) Estimated Contribution for the next year on account of gratuity Rs. Nil (Rs. 12,132,766)

(f) Contribution/Provisions to superannuation and other funds under defined contribution plan is Rs. 21,380,755 (Rs. 16,578,979)

9. 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 cancellable at its option. Rental expenses for operating leases included in the Income statements for the year is Rs. 114,601,443 (Rs.279,456,332)

As of 31st March, 2010 future minimum lease payments for non - cancellable operating leases for the period upto which the lease is non-cancellable are provided below.

For the year ending

(Rs.)

31.03.2011	75,311,056
31.03.2012	23,034,175
31.03.2013	15,827,445
31.03.2014	428,767

10. 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.

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

As per our Report annexed For and on behalf of the Board

For N M RAIJI & Co.

Chartered Accountants

CA.Y N THAKKAR

Partner
Membership No: 33329

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 19th April, 2010

Sonata Software Limited - Consolidated Financial Statement

Annexure

LIST OF RELATED PARTIES & NATURE OF RELATIONSHIP

	List of related parties	Nature of Relationship
S B Ghia Director	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
M D Dalal Executive Vice Chairman	Daltreya Investment & Finance Pvt. Ltd.	Spouse & sister are Directors
Viren Raheja Director	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 Ramaswamy President & Managing Director	Sonata Information Technology Ltd.	Director
	TUI InfoTec GmbH, Germany	Member of Supervisory Board
	Sonata Software FZ LLC, Dubai	Director
P Srikar Reddy Executive Vice President & COO	Sonata Information Technology Ltd.	Director
	TUI InfoTec GmbH, Germany	Managing Director
	Sonata Software FZ LLC, Dubai	Director
Subsidiaries	Sonata Information Technology Ltd.	Wholly owned subsidiary of Sonata
	Sonata Software FZ LLC, Dubai	Wholly owned subsidiary of Sonata
	Sonata Software North America 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 31.03.2010	YEAR ENDED 31.03.2009
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit before Tax	1,152,107,820	1,125,986,706
Adjustments for:		
Depreciation	491,724,586	435,018,216
Interest paid	67,030,217	66,942,254
Interest Received from Term Deposits	(3,444,308)	(17,469,443)
Provision for doubtful debts	29,415,731	14,501,306
Service tax Input written back	-	(18,347,829)
Bad Debts	3,764,490	4,721,060
Provision no longer required	(2,423,732)	(2,462,458)
(Profit)/Loss on sale of Fixed Assets	5,244,252	646,317
Dividend received	(4,135,162)	(1,689,680)
Operating Profit before Working Capital Changes	1,739,283,894	1,607,846,449
Adjustments for:		
Decrease/(Increase) in Sundry Debtors	805,016,702	(409,809,664)
Decrease/(Increase) in Inventories	(92,528,705)	89,959,978
Decrease/(Increase) in Other Current Assets	(8,270,824)	(7,829,145)
Decrease/(Increase) in Loans and Advances	(614,527,784)	(715,012,002)
(Decrease)/Increase in Current Liabilities & Provisions	(920,287,166)	799,062,184
Decrease/(Increase) in Deferred Tax Asset	42,263,238	28,330,943
(Decrease)/Increase in Deferred Tax Liability	(928,454)	(117,186)
Cash generated from operations	950,020,901	1,392,431,557
Direct taxes / Advance tax paid	(253,721,029)	(334,798,975)
Net Cash from Operating Activities (A)	696,299,872	1,057,632,582
B. CASH FLOW FROM INVESTING ACTIVITIES		
Dividend received	4,135,162	1,689,680
Interest received	3,444,308	17,469,443
Purchase of Fixed Assets - net	(434,009,480)	(508,276,222)
Purchase of Investments	(1,841,063,744)	(708,077,755)
Sale of Investments	1,464,139,158	862,917,540
Net Cash used in Investing Activities (B)	(803,354,596)	(334,277,314)
C. CASH FLOW FROM FINANCING ACTIVITIES		
Minority Interest	(66,871,023)	(95,426,253)
Proceeds from Long Term Borrowings-Others	265,627,402	(249,695,205)
Dividends / Dividend Taxes Paid	(110,961,040)	(258,365,373)
Interest paid	(67,030,217)	(66,942,254)
Net cash from Financing Activities (C)	20,765,122	(670,429,085)
Net increase/(decrease) in Cash and Cash Equivalents (A+B+C)	(86,289,602)	52,926,183
Opening Cash and Cash Equivalents	817,367,943	764,441,760
Closing Cash and Cash Equivalents	731,078,341	817,367,943

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 31.03.2010	YEAR ENDED 31.03.2009
		(Rs.)
Cash on hand & balance with banks	739,930,698	828,044,416
Cash & Cash Equivalents	<u>739,930,698</u>	<u>828,044,416</u>
Effect of exchange rate change	(8,852,357)	(10,676,473)
Cash & Cash Equivalents as restated	<u><u>731,078,341</u></u>	<u><u>817,367,943</u></u>

2. Direct Tax/Advance tax paid during the period ended 31.03.2010 amounted to Rs.2537.21 Lakhs

3. Previous year's figures have been regrouped wherever necessary to confirm 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
Membership No: 33329

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 19th April, 2010



Sonata Software Limited - Consolidated Financial Statement

ADDITIONAL FINANCIAL INFORMATION OF OVERSEAS SUBSIDIARIES: in foreign currency

	Sonata Software North America Inc, USA * (Amount in USD)	Sonata Software FZ LLC (Amount in USD)	Sonata Software GmbH, Germany (Amount in Euro)	Sonata Europe Limited, UK (Amount in GBP)	TUI InfoTec GmbH, Germany (Amount in Euro)
a. Capital					
- Stock holders Equity	300,000	136,129	25,000	671,700	1,000,000
- Preferred Stock	-	-	-	12,049,100	-
b. Reserves and Surplus	(2,617,579)	146,580	157,312	1,687,077	11,345,655
c. Total Assets	2,974,108	1,578,251	626,607	14,407,877	37,661,486
d. Total Liabilities	2,974,108	1,578,251	626,607	14,407,877	37,661,486
e. Details of Investment (except in case of investment in subsidiaries)	-	-	-	-	476,418
f. Turnover	14,692,632	2,645,267	2,937,046	235,658	97,777,516
g. Profit before Taxation	353,776	116,260	64,256	429,061	6,104,466
h. Provision for Taxation	15,497	-	25,136	-	2,031,616
i. Minority Interest	-	-	-	-	81,783
j. Profit after Taxation and Minority Interest	338,279	116,260	39,120	429,061	3,991,067
k. Proposed Dividend	-	-	-	-	-

ADDITIONAL FINANCIAL INFORMATION OF OVERSEAS SUBSIDIARIES: in Rs.

	Sonata Software North America Inc, USA *	Sonata Software FZ LLC	Sonata Software GmbH, Germany	Sonata Europe Limited, UK	TUI InfoTec GmbH, Germany
a. Capital					
- Stock holders Equity	13,473,000	6,113,553	1,513,500	45,722,619	60,540,000
- Preferred Stock	-	-	-	820,182,237	-
b. Reserves and Surplus	(117,555,473)	6,582,908	9,523,644	114,839,331	686,865,980
c. Total Assets	133,567,190	70,879,252	37,934,761	980,744,187	2,280,026,385
d. Total Liabilities	133,567,190	70,879,252	37,934,761	980,744,187	2,280,026,385
e. Details of Investment (except in case of investment in subsidiaries)	-	-	-	-	28,842,367
f. Turnover	659,846,103	118,798,941	177,808,758	16,041,240	5,919,450,821
g. Profit before Taxation	15,888,080	5,221,237	3,890,072	29,206,182	369,564,363
h. Provision for Taxation	695,970	-	1,521,734	-	122,994,053
i. Minority Interest	-	-	-	-	4,951,169
j. Profit after Taxation and Minority Interest	15,192,110	5,221,237	2,368,338	29,206,182	241,619,141
k. Proposed Dividend	-	-	-	-	-

(* formerly Offshore Digital Services Inc., USA)

Notes : (a) The above information has been furnished as per the requirement of Department of Company Affairs letter

(b) Conversion rate considered to arrive the above information is US Dollar = Rs. 44.91, Euro =Rs.60.54 and GBP= Rs.68.07

Sonata Information Technology Limited

DIRECTORS' REPORT

TO THE MEMBERS OF SONATA INFORMATION TECHNOLOGY LIMITED

Your Directors have pleasure in presenting the Tenth Annual Report of your Company along with the audited Statement of Accounts for the year ended 31st March, 2010.

FINANCIAL HIGHLIGHTS

(Rs. in million)

Particulars	Year ended 31.03.2010	Year ended 31.03.2009
1. Total Income	5056.70	6413.07
2. Total Expenditure	4911.99	6260.79
3. Profit before Interest & Depreciation	144.71	152.28
4. Interest	26.41	16.03
5. Depreciation	3.00	4.08
6. Profit after Interest and Depreciation but before Tax	115.30	132.17
7. Provision for Tax	39.10	46.65
8. Profit after Tax	76.20	85.52

DIVIDEND

Your Directors do not recommend any dividend for the financial year ended 31st March, 2010.

BUSINESS REVIEW

The business of your Company can be classified into three broad areas :

A. PRODUCTS

During the year under review, your Company has consolidated its position in the Indian market and attained top position in most of the business lines it is dealing. Your Company has also seen a substantial increase in the number of customers and won best Partner awards from various Principals in appreciation of its services to customers.

Your Company's strategy for the current financial year is to add new business lines which have more value adds for customers and also increase the number of customers. Your Company is also planning to add some more software products to its portfolio, which can give higher returns to your Company.

B. BUSINESS SOLUTIONS

During the year under review, your Company made strong strides in this business line. Your Company acquired Gold Partner status – the highest level, in the SAP Partner Edge Program within a short period of one and a half years of its alliance with SAP. Your Company is one of the very few system integrators in India to have achieved this

Client additions for end-to-end ERP implementation solutions were commendable. In particular, your Company won a large deal to implement Oracle Apps ERP with a marquee client in the discrete manufacturing space and two deals for implementation of Axapta ERP for a market leader in real estate and for a Public Sector Organization.

Further, your Company launched a number of add-on services like upgrade services and ERP extension services and acquired a host of new clients.

IT CONSULTING

Under this business line, your Company delivers IT Consulting and Services business cutting across various technologies and platforms. This business saw a strong growth in revenues and new customer acquisitions both in the enterprise and government sectors. Your Company continues to enjoy preferred partner status from Principals and many a customer 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 of 2009-10.

QUALITY

During the year under review, the Quality Management System (QMS) of your Company got aligned to the upgraded standard ISO 9001:2008. QMS also got updated in line with operational changes. Mandatory surveillance audit was duly completed as per ISO 9001:2008 requirements. Auditors have noted both operational compliance and improvement.

RECOGNITION

During the year under review, your Company has achieved Gold level status in the SAP® PartnerEdge™ program for competency in deploying fast, efficient and stable SAP solutions for enterprises in India, which is the highest level of recognition under the said program.

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, 2010 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.3513.15 Mn and foreign exchange inflow on account of software services rendered and sales of traded products exports was Rs.101.21 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 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, 2010.

Name	Age (Years)	Qualification	Designation & Nature of Duties	Remuneration (Rs.)	Experience (Years)	Date of Joining	Previous Employment
Sujit Mohanty	43	MA & PGDM	Associate Vice President & Director	3,381,430	21	01.02.1991	Sr. Marketing Executive Academy of Computer Education
Mohan Muthuraj	40	B.Tech, PDGM (IIMB)	Asst. Vice President Marketing	2,778,361	17	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, 2010.

DIRECTORS

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

AUDITORS

M/s N.M.Raiji & Co., Chartered Accountants, Mumbai, the Statutory Auditors of your Company, who hold office until the conclusion of the forthcoming Annual General Meeting being eligible, offer themselves for re-appointment. Accordingly, the members may re-appoint M/s N.M.Raiji & Co., as Statutory Auditors of the Company for the financial year 2010-11.

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 : 18th April, 2010

B.RAMASWAMY
Director



Sonata Information Technology Limited

MANAGEMENT REVIEW- INDIAN OPERATIONS

1. Revenues

Revenue has been decreased by 21.20% to Rs. 5036.06 million during the year ended 31st March 2010.

a) Products Business:

Products Business Group constituted 96.22 % of the turnover of Indian Operations.

b) Business Solutions:

Business Solutions Group constituted 3.78 % of the turnover of Indian Operations.

2. Operating Expenses

The operating expenses decreased by 7.07 % to Rs. 393.29 million for the year ended 31st March 2010 from Rs.423.22 million for the same period last year.

3. EBIDT

The operating margin decreased by 4.98 % at Rs. 144.70 million for the year ended 31st March 2010 as compared to Rs. 152.28 million for the same period last year.

4. Profit After Tax

Profit after Tax decreased by 10.91% at Rs. 76.20 million for the year ended 31st March 2010 as compared to Rs. 85.53 million for the same period last year.

5. Interest and Borrowings

The Interest on borrowings has increased by 64.79 % to Rs. 26.41 million for the year ended 31st March 2010 from Rs. 16.03 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 20.10% for the year ended 31st March 2010 as compared to 41.91 % for the same period last year.

7. Net Worth

The Return on Average Net worth (RONW) was at 23.92% for the year ended 31st March 2010 as compared to 35.30% for the same period last year.

8. Receivables

Debtor's number of days' sales was at 57 days for the year ended 31st March 2010 as compared to 69 days for the same period last year.

9. Manpower

The total employee strength as on 31st March 2010 was 144 as compared to 148 as on 31st March 2009.

PERFORMANCE SUMMARY

1. Revenue

For the year ended 31st March 2010

- a. Revenue from Products Business was Rs. 4,845.65 millions
- b. Revenue from Business Solutions was Rs. 190.41 millions

2. EBIDT

EBIDT for the year ended 31st March 2010 was 2.86 % of Total Income as Compared to 2.37% for the same period last year.

3. Profit After Tax (PAT)

- a. PAT for the year ended 31st March 2010 was at Rs. 76.20 million as against Rs. 85.53 million for the same period last year.
- b. Profit Margin at 1.51% as compared to 1.33% for the same period last year.



Sonata Information Technology Limited (SITL)

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 2010, 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 2010;
 - 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
Registration No: 108296W

CA. Y N Thakkar
Partner
Membership No: 33329

Place : Bangalore
Date : 18th April, 2010

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) The Company has not granted any loans, secured or unsecured, during the year to companies, firms and other parties listed in the register maintained under section 301 of the Companies Act, 1956.
Accordingly, sub-clause (b),(c) and (d) are not applicable.
- (b) 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 outstanding as on 31.03.2010 | Maximum amount outstanding during the year |
|---------------|-------------------------------------|--------------------------------------------|
| 1 | Rs. 16.50 crores | Rs. 25.00 crores |
- (c) 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.
- (d) 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) According to the information and explanations given to us the transactions that need to be entered into the register in pursuance of section 301 of the Companies Act 1956 have been entered.
- (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) The dues of income tax and 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) 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. Raiji & Co.**
Chartered Accountants
Registration No: 108296W

CA.Y N Thakkar
Partner

Place : Bangalore

Date : 18th April, 2010

Membership No: 33329

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

Name of the statute	Nature of Dues and Period	Amount (crores)	Forum where dispute is pending
Income Tax Act 1961	Deduction of tax from overseas suppliers	Rs. 21.82	Stay granted on demand by Supreme Court
	Income tax and interest for FY 2006-07	Rs. 73.97	CIT (Appeals)
KVAT Act 2003	Sales tax of 2001-02	Rs. 0.01	The Joint Commissioner of Commercial Taxes, Bangalore



Sonata Information Technology Limited

BALANCE SHEET AS AT 31ST MARCH, 2010

		(Rs.)	
	SCHEDULE	AS AT 31.03.2010	AS AT 31.03.2009
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Share Capital	1	33,753,940	33,753,940
Reserves and Surplus	2	318,193,063	251,291,425
		351,947,003	285,045,365
LOAN FUNDS			
Secured Loans	3	219,000,000	-
Unsecured Loans	4	165,000,000	-
		384,000,000	-
DEFERRED TAX LIABILITY			
		-	803,850
TOTAL FUNDS EMPLOYED		735,947,003	285,849,215
APPLICATION OF FUNDS			
FIXED ASSETS			
Gross Block	5	31,927,071	33,018,624
Less : Depreciation		27,952,957	26,078,139
Net Block		3,974,114	6,940,485
DEFERRED TAX ASSET			
		1,252,195	-
CURRENT ASSETS, LOANS & ADVANCES			
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
		2,001,763,882	2,149,147,224
Less: CURRENT LIABILITIES & PROVISIONS			
Current Liabilities	11	1,269,810,933	1,869,273,995
Provisions	12	1,232,255	964,499
		1,271,043,188	1,870,238,494
NET CURRENT ASSETS		730,720,694	278,908,730
TOTAL FUNDS APPLIED		735,947,003	285,849,215
NOTES FORMING PART OF ACCOUNTS		18	

As per our Report annexed

For and on behalf of the Board

For N M RAIJI & Co.
Chartered Accountants

CA.Y N THAKKAR
Partner
Membership No 33329

B RAMASWAMY
Director

SUJIT MOHANTY
AVP & Director

P SRIKAR REDDY
Director

FEROZA BYRAMJI
Company Secretary

BRIJENDRA K SYNGAL
Director

Bangalore, 18th April, 2010

Sonata Information Technology Limited

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

(Rs.)

	SCHEDULE	YEAR ENDED 31.03.2010	YEAR ENDED 31.03.2009
INCOME			
Sales and Services (Net)	13	5,036,061,097	6,390,928,611
Other Income	14	20,636,468	22,144,175
Total Income		5,056,697,565	6,413,072,786
EXPENDITURE			
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
		4,989,795,650	6,205,274,241
Add/(Less) : (Increase)/Decrease in Stocks	17	(48,395,762)	75,625,558
		4,941,399,888	6,280,899,799
Profit Before Tax		115,297,677	132,172,987
Provision for Tax (refer schedule 18, note 11)		39,100,158	46,647,693
Profit After Tax		76,197,519	85,525,294
Add : Balance of Profit brought forward from previous year		225,038,365	139,513,071
Disposable Surplus		301,235,884	225,038,365
Balance carried to Balance Sheet		301,235,884	225,038,365
NOTES FORMING PART OF ACCOUNTS	18		
EPS - Basic (on Re.10/- per share)		22.57	25.34
EPS - Diluted (on Re.10/- per share)		22.57	25.34

As per our Report annexed For and on behalf of the Board

For N M RAIJI & Co.
Chartered Accountants

CA.Y N THAKKAR
Partner
Membership No 33329

B RAMASWAMY
Director

SUJIT MOHANTY
AVP & Director

P SRIKAR REDDY
Director

FEROZA BYRAMJI
Company Secretary

BRIJENDRA K SYNGAL
Director

Bangalore, 18th April, 2010



Sonata Information Technology Limited

SCHEDULES ATTACHED TO AND FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2010

(Rs.)

	AS AT 31.03.2010	AS AT 31.03.2009
SCHEDULE 1 : SHARE CAPITAL		
Authorised :		
10,000,000 Equity Shares of Rs.10/- each <i>(Previous year 10,000,000 Equity Shares of Rs.10/- each)</i>	<u>100,000,000</u>	<u>100,000,000</u>
Issued :		
6,000,700 Equity Shares of Rs.10/- each <i>(Previous year 6,000,700 Equity Shares of Rs.10/- each)</i>	<u>60,007,000</u>	<u>60,007,000</u>
Subscribed and Paid-Up :		
Opening balance	<u>33,753,940</u>	<u>33,753,940</u>
3,375,394 Equity Shares of Rs.10/- each <i>(Previous year 3,375,394 Equity Shares of Rs.10/ each)</i>		
Of the above 3,374,694 Equity Shares have been allotted as fully paid pursuant to a contract without payment received in cash from Holding Company. <i>(Previous year 3,375,394 Equity Shares)</i>		
SCHEDULE 2 : RESERVES AND SURPLUS		
Capital Redemption Reserve*	26,253,060	26,253,060
Profit and Loss Account	301,235,884	225,038,365
Hedging Reserve	(9,295,881)	-
* <i>(Capital Redemption Reserve created on account of buyback of the shares)</i>	<u>318,193,063</u>	<u>251,291,425</u>
SCHEDULE 3 : SECURED LOANS		
From Banks		
Standard Chartered Bank <i>(Secured by hypothecation of movable assets both present & future)</i>	119,000,000	-
CITI bank <i>(Secured by hypothecation of stocks & books debts present & future, the charge is in the process of registration)</i>	<u>100,000,000</u>	-
	<u>219,000,000</u>	-
SCHEDULE 4 : UNSECURED LOANS		
Inter Corporate Deposit from Holding Company	<u>165,000,000</u>	-
SCHEDULE 5 : FIXED ASSETS		

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

Notes:

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

Sonata Information Technology Limited

Schedules (Contd.)

	AS AT 31.03.2010	AS AT 31.03.2009
(Rs.)		
SCHEDULE 6 : INVENTORIES		
Finished Products	<u>77,286,576</u>	<u>28,890,814</u>
SCHEDULE 7 : SUNDRY DEBTORS		
Unsecured		
Debts outstanding for a period exceeding six months		
Considered Good	61,565,024	95,310,166
Considered Doubtful	<u>7,704,059</u>	<u>2,963,551</u>
	69,269,083	98,273,717
Other debts : Considered Good	724,384,747	1,109,916,559
	793,653,830	1,208,190,276
Less: Provision for Doubtful Debts	7,704,059	2,963,551
	<u>785,949,771</u>	<u>1,205,226,725</u>
SCHEDULE 8 : CASH AND BANK BALANCES		
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>
SCHEDULE 9 : OTHER CURRENT ASSETS		
Income Accrued but not due	<u>20,253,750</u>	<u>10,800,000</u>
SCHEDULE 10 : LOANS AND ADVANCES		
Unsecured		
(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>
SCHEDULE 11 : CURRENT LIABILITIES		
Sundry Creditors		
Micro and Small Enterprises	-	-
Others	<u>934,098,638</u>	<u>1,493,501,836</u>
	934,098,638	1,493,501,836
Due to Holding company	15,147,605	5,937,240
Other Liabilities	320,564,690	369,834,919
	<u>1,269,810,933</u>	<u>1,869,273,995</u>
SCHEDULE 12 : PROVISIONS		
Compensated Absence	1,232,255	964,499
	<u>1,232,255</u>	<u>964,499</u>



Sonata Information Technology Limited

Schedules (Contd.)

	(Rs.)	
	YEAR ENDED 31.03.2010	YEAR ENDED 31.03.2009
SCHEDULE 13 : SALES AND SERVICES (NET)		
Sales	4,831,403,733	6,203,358,643
Services	204,657,364	187,569,968
	<u>5,036,061,097</u>	<u>6,390,928,611</u>
SCHEDULE 14 : OTHER INCOME		
Interest received	2,912,040	5,180,337
(Tax Deducted at Source is Rs. 21,241 Previous year Rs. 293,157)		
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
	<u>20,636,468</u>	<u>22,144,175</u>
SCHEDULE 15 : OPERATING AND OTHER EXPENSES		
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
	<u>196,707,949</u>	<u>196,132,031</u>
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
	<u>3,714,081</u>	<u>4,034,845</u>
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
Auditor's Remuneration :		
Audit Fees	400,000	400,000
Certification fees	100,000	100,000
	<u>500,000</u>	<u>500,000</u>
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
	<u>393,288,799</u>	<u>423,223,953</u>
SCHEDULE 16 : INTEREST		
Interest	<u>26,409,395</u>	<u>16,026,442</u>
SCHEDULE 17 : (INCREASE)/DECREASE IN STOCKS		
Opening Stock		
Finished Products	28,890,814	104,516,372
	<u>28,890,814</u>	<u>104,516,372</u>
Closing Stock		
Finished Products	77,286,576	28,890,814
	<u>77,286,576</u>	<u>28,890,814</u>
(Increase)/Decrease in Stocks	<u>(48,395,762)</u>	<u>75,625,558</u>

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 1st 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 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**

(i) 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 favourable 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.

(ii) 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(i) above.

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

(ii) Sonata Software Limited has given corporate guarantee to IBM Ltd, on behalf of the company for a value of Rs. 5 crores

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

Sonata Information Technology Limited

Schedules (Contd.)

	31.03.2010	31.03.2009
(Rs.)		
5. Remuneration and perquisites to Director		
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
Total	3,381,430	3,368,331
6. Value of Imports calculated on CIF basis		
Traded Goods	3,512,208,453	3,803,938,488
7. Expenditure incurred in Foreign Currency on account of		
Travelling	940,861	2,761,682
Royalty	-	571,630
	940,861	3,333,312
8. Earnings in Foreign Exchange		
Software services rendered	1,753,330	7,777,903
Sales Traded Products	99,461,585	93,631,606
	101,214,915	101,409,509
9. Income from sales and services includes loss on account of exchange fluctuation of Rs. 2,896,502 for the current year ended 31st March 2010 and gain of Rs Rs.16,209,017 for previous year ended 31st March 2009.		

10. Quantity and Value Particulars of Trading Activities for the Year ended 31st 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 (803,850)	-322,601 (-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 (Rs. 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 Transactions

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

Remuneration of Director (Rs.)

Name	Salary
Sujit Mohanty	3,381,430 (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: (Rs.)

Particulars	Opening Balance as on 01.04.09	Transactions during the year	Amount received/paid during the year	Closing Balance as on 31.03.10
Sales	- (-)	24,293,864 (9,174,330)	24,293,864 (9,174,330)	- (-)
Deputation Expenses	1,679,556 (-)	110,782,495 (109,584,867)	98,893,681 (107,905,311)	13,568,370 (1,679,556)
Service Charges	- (6,841,231)	130,664,264 (161,074,199)	130,664,264 (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 (120,000,000)	550,000,000 (120,000,000)	165,000,000 (-)
Interest on Inter Corporate Deposit taken	- (-)	12,332,468 (357,945)	12,332,468 (357,945)	- (-)
Others	4,257,684 (2,563,434)	21,794,107 (3,400,980)	24,472,556 (1,706,730)	1,579,235 (4,257,684)
Total	5,937,240 (9,404,665)	1,014,867,198 (514,146,384)	840,656,833 (517,613,809)	180,147,605 (5,937,240)

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 Software Limited holds 100% equity in Sonata Software FZ LLC. Transactions with the Company included in the financial statements as 31st March, 2010 as follows:

	Opening Balance as on 01.04.09	Transaction during the year	Amount received/paid during the year	Closing Balance as on 31.03.10
Sale	- (-)	3,761,860 (-)	2,514,750 (-)	1,247,110 (-)

17. Employee Benefits :

(a) Gratuity

Defined benefit plan (Funded) - As per actuarial valuation as on March 31, 2010

(Rs.)

	31.03.2010	31.03.2009
I Change in Obligation during the year ended March 31, 2010		
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
II Change in Assets during the year ended March 31, 2010		
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
III Net Asset/(Liability) recognised in the Balance Sheet as at March 31, 2010		
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
IV Expenses recognised in the statement of Profit & Loss for the year ended March 31, 2010		
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	(2,038,823)	526,915
5 Total Expenses	(1,429,269)	1,172,828
V The major categories of plan assets as a percentage of total plan		
Insurer Managed Funds	100%	100%
VI Actuarial Assumptions:		
1 Discount Rate	8.25%	7.50%
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 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 and previous two annual periods are as follows:

	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	(1,763,502)

(f) Estimated Contribution for the next year on account of gratuity Rs. Nil (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 cancellable 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 -cancellable operating leases for the period upto which the lease is non-cancellable 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

CA.Y N THAKKAR
Partner
Membership No: 33329

B. RAMASWAMY
Director

BRIJENDRA K. SYNGAL
Director

P. SRIKAR REDDY
Director

SUJIT MOHANTY
AVP & Director

FEROZA BYRAMJI
Company Secretary

Bangalore 18th April, 2010

LIST OF RELATED PARTIES & NATURE OF RELATIONSHIP

	List of related parties	Nature of Relationship
S B Ghia Director of Sonata Software Ltd.	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
M D Dalal, Executive Vice Chairman of Sonata Software Ltd.	Daltreya Investment & Finance Pvt. Ltd.	Spouse & sister are Directors
Viren Raheja Director of Sonata Software Ltd.	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 Ramaswamy Director of SITL	Sonata Software Ltd.	President & Managing Director
	TUI InfoTec GmbH, Germany	Member of Supervisory Board
	Sonata Software FZ LLC, Dubai	Director
P Srikar Reddy Director of SITL	Sonata Software Ltd.	Executive Vice President & COO
	TUI InfoTec GmbH, Germany	Managing Director
	Sonata Software FZ LLC, Dubai	Director
Sujit Mohanty		Director of SITL
Sonata Software Ltd		Holding Company

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



Sonata Information Technology Limited

Additional information pursuant to provisions of Part IV of Schedule VI to the Companies Act, 1956.

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I Registration Details

Registration No.	127476	State Code	11
Balance Sheet Date	31.03.2010		

II Capital Raised During the Year (Rs.)

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

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

Total Liabilities	735,947,003	Total Assets	735,947,003
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Sources of Funds

Paid Up Capital	33,753,940	Reserves & Surplus	318,193,063
Secured Loans	219,000,000	Unsecured Loans	165,000,000

Application of Funds

Net Fixed Assets	3,974,114	Investments	NIL
Net Current Asset	730,720,694	Deferred Tax Asset	1,252,195
Accumulated Losses	NIL	Misc. Expenditure	NIL

IV Performance of Company (Rs.)

Turnover	5,056,697,565	Total Expenditure	4,941,399,888
Profit Before Tax	115,297,677	Profit After Tax	76,197,519
Earning Per Share	22.57	Dividend Rate	NIL

V Generic Names of Principal Products of the Company

Item Code No. (ITCCode)	852499.02
Product Description	Floppy Disk / Cartridge Tape Contianing 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
Membership No: 33329

B RAMASWAMY
Director

SUJIT MOHANTY
AVP & Director

P SRIKAR REDDY
Director

FEROZA BYRAMJI
Company Secretary

BRIJENDRA K SYNGAL
Director

Bangalore, 18thApril, 2010

Sonata Information Technology Limited

CASH FLOW STATEMENT

(Rs.)

	YEAR ENDED 31.03.2010	YEAR ENDED 31.03.2009
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit before Tax	115,297,677	132,172,987
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)
Operating Profit before Working Capital Changes	148,567,808	135,661,516
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)	-
Cash generated from operations	(439,785,861)	(162,219,825)
Interest paid	(26,409,395)	(16,026,442)
Direct taxes / Advance tax paid	(297,000)	(1,339,000)
Net Cash from Operating Activities (A)	(466,492,256)	(179,585,267)
B. CASH FLOW FROM INVESTING ACTIVITIES		
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)
Net Cash used in Investing Activities (B)	521,070	184,749,659
C. CASH FLOW FROM FINANCING ACTIVITIES		
Inter Corporate Loan from holding Company	165,000,000	-
Borrowings from banks - Working capital facility	219,000,000	-
Net cash from Financing Activities (C)	384,000,000	-
Net increase/(decrease) in Cash and Cash Equivalents (A+B+C)	(81,971,186)	5,164,392
Opening Cash and Cash Equivalents	169,183,809	164,019,417
Closing Cash and Cash Equivalents	87,212,623	169,183,809



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 31.03.2010	YEAR ENDED 31.03.2009
Cash on hand and balance with banks	88,553,653	173,281,166
Cash and Cash Equivalents	88,553,653	173,281,166
Effect of exchange rate change	(1,341,030)	(4,097,357)
Cash and Cash Equivalents as restated	87,212,623	169,183,809

(Rs.)

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

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

CA.Y N THAKKAR
Partner
Membership No: 33329

B RAMASWAMY
Director

SUJIT MOHANTY
AVP & Director

P SRIKAR REDDY
Director

FEROZA BYRAMJI
Company Secretary

BRIJENDRA K SYNGAL
Director

Bangalore, 18th April, 2010

Sonata Software Limited

SHAREHOLDERS' INFORMATION FOR FY 2009-10

1. Annual General Meeting

The next Annual General Meeting of the Company will be held on Tuesday, the June 15, 2010 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.
Ph : (022) 22844350

2. Financial Year

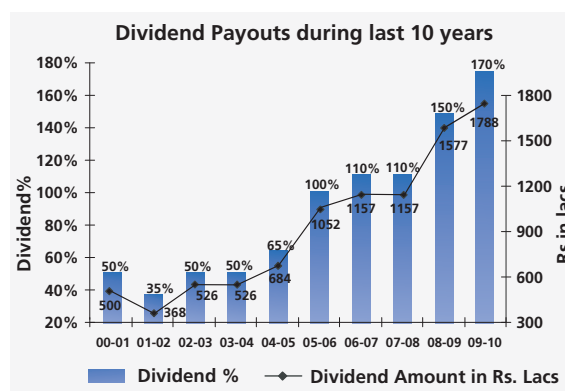
The financial year of the Company is from April 1, 2009 to March 31, 2010.

3. Book Closure

The Register of Members and Share Transfer Books will remain closed from June 10, 2010 to June 15, 2010 (both days inclusive) to determine the entitlement of shareholders to receive the final dividend as may be declared for the financial year that ended on March 31, 2010.

4. Payment of Dividend

The final dividend as recommended by the Board of Rs.0.80 per equity share for the financial year ended March 31, 2010, if approved at the forthcoming Annual General Meeting, will be paid on or after June 21, 2010 to those members whose names appear in the Register of Members as on June 9, 2010. Dividend in respect of shares held in the electronic form will be payable to the beneficial owners of the shares as on June 9, 2010 as per details furnished by Depositories for this purpose.



5. Listing on Stock Exchanges & Stock Code

(a) Your Company's equity shares are listed & traded on the following stock exchanges :

Bombay Stock Exchange Ltd (BSE)	National Stock Exchange of India Ltd (NSE)
Phiroze Jeejeebhoy Towers	Exchange Plaza, 5th Floor, Plot No. C/1
Dalal Street, Fort	G Block, Bandra-Kurla Complex, Bandra(E)
Mumbai – 400 001	Mumbai – 400 051
Stock Code : 532221	Stock Code : Sonatsoftw

(b) Listing fees for the year 2009-10 have been paid to above stock exchanges including Bangalore Stock Exchange Ltd.

(c) As on March 31, 2010, your Company had 36010 shareholders.

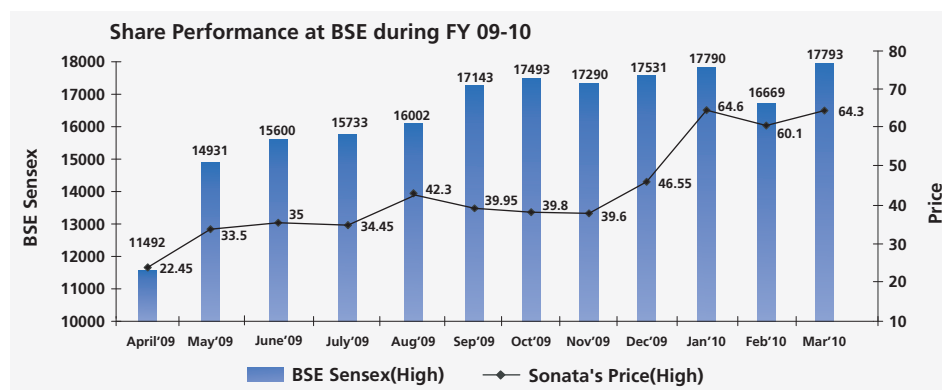
6. Stock Market Data

(a) Market Capitalization as on March 31, 2010 : Rs.596 Crores (based on closing price in BSE)

(b) Number of shares traded during FY 2009-10 : BSE : 799 Lacs & NSE : 1417 Lacs.

(c) The monthly high and low quotations of shares traded at BSE and NSE during financial year 2009-10 and performance in comparison with BSE Sensex are as given below :

Month	BSE		NSE		BSE SENSEX	
	High (Rs.)	Low (Rs.)	High (Rs.)	Low (Rs.)	High	Low
April'09	22.45	16.00	22.45	16.00	11,492	9,546
May'09	33.50	19.70	33.55	19.30	14,931	11,621
June'09	35.00	27.05	34.80	28.00	15,600	14,017
July'09	34.45	24.55	34.70	24.65	15,733	13,220
Aug'09	42.30	32.00	42.20	31.80	16,002	14,684
Sep'09	39.95	35.00	39.80	35.05	17,143	15,357
Oct'09	39.80	33.00	39.80	33.00	17,493	15,805
Nov'09	39.60	31.25	39.60	31.30	17,290	15,331
Dec'09	46.55	35.65	46.60	35.55	17,531	16,578
Jan'10	64.60	42.40	64.85	42.55	17,790	15,982
Feb'10	60.10	45.45	60.00	49.00	16,669	15,652
Mar'10	64.30	52.25	64.30	50.10	17,793	16,438



7. Share Transfer System / Investor Service

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

Total number of physical shares transferred during FY 2009-10 :

Transfer Period (Days)	No. of transferees (Folios)	No of shares	%
1-10	22	351350	100.00
Above 10	-	-	-
Total	22	351350	100.00

Details of complaints received and resolved from April 1, 2009 to March 31, 2010 :

Complaints	Received	Attended to	Pending
Non-receipt of dividend	58	58	0
Complaints received from SEBI	0	0	0
Complaints received from stock exchanges	0	0	0
Total	58	58	0

8. Distribution of shareholding

(a) Distribution Schedule

Range of equity shares held	As on March 31, 2010				As on March 31, 2009			
	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	27,831	77.29	4,496,926	4.28	31,992	78.09	5,537,807	5.27
501-1000	3,838	10.66	3,425,875	3.26	4,667	11.39	4,127,932	3.93
1001-5000	3,245	9.01	7,850,649	7.46	3,333	8.14	7,680,052	7.30
5001-10000	566	1.57	4,185,308	3.98	488	1.19	3,639,880	3.46
Over 10001	530	1.47	85,200,548	81.02	486	1.19	84,173,635	80.04
Total	36,010	100.00	105,159,306	100.00	40,966	100.00	105,159,306	100.00

(b) Shareholding Pattern :

Category	As on March 31, 2010				As on March 31, 2009			
	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
Promoters	24	0.07	47,747,850	45.41	24	0.06	47,747,850	45.41
Bodies Corporate	861	2.39	7,621,240	7.25	768	1.87	5,567,119	5.29
FIs, NRIs	483	1.34	3,008,692	2.86	556	1.36	5,773,766	5.49
IFIs/Mutual Funds	8	0.02	1,283,782	1.22	5	0.01	821,927	0.78
Trusts	9	0.02	3,892,945	3.70	7	0.02	4,065,752	3.87
Clearing Members	108	0.30	383,450	0.36	56	0.14	122,657	0.12
Public	34,517	95.86	41,221,347	39.20	39,550	96.54	41,060,235	39.04
Total	36,010	100.00	105,159,306	100.00	40,966	100.00	105,159,306	100.00



9. Dematerialization of shares and liquidity

Your Company's shares are tradable only in electronic form. We have established connectivity with both the depositories viz., National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) through our Registrars and Share Transfer Agents M/s Karvy Computershare Pvt Ltd.

The International Securities Identification Number (ISIN) allotted to our shares under the Depository System is INE269A01021.

Details of Shares held in Physical and Electronic form :

Particulars	As on March 31, 2010		As on March 31, 2009	
	No. of shares	% of holding	No. of shares	% of holding
Physical	4,573,375	4.35	5,667,519	5.39
Electronic	100,585,931	95.65	99,491,787	94.61
Total	105,159,306	100.00	105,159,306	100.00

Number of Shares dematerialized during FY 2009-10 : 1,094,145 Shares.

Number of Shares rematerialized during FY 2009-10 : 1 Share.

10. Office Locations

The addresses and contact details of offices/locations are given on the last page of this Report.

No. of employees as on March 31, 2010 : 2124

11. Tentative financial calendar for FY 2010-11

Financial results for the first quarter ended June 30, 2010	July, 2010
Financial results for the second quarter ended September 30, 2010	Oct, 2010
Financial results for the third quarter ended December 31, 2010	Jan, 2011
Financial results for the financial year ended March 31, 2011	April, 2011
Annual General Meeting for the year ending March 31, 2011	June, 2011

12. Address and contact details of the Company and Share transfer agents

Company Secretary
 Sonata Software Ltd
 APS Trust Building, Bull Temple Road
 N R Colony, Bangalore - 560 019, India
 Tel : (080) 30972500 Fax : (080) 26610972
 Email : investor@sonata-software.com
 Website : www.sonata-software.com

Karvy Computershare Pvt Ltd
 Registrars and Share Transfer Agents
 Plot No. 17 to 24, Vittal Rao Nagar
 Madhapur, Hyderabad - 500 081, India
 Tel : (040) 44655000 Fax : (040) 44655021
 Email : einward.ris@karvy.com
 Website : www.karvycomputershare.com





MEMORANDUM INFORMATION

Sonata Software North America, Inc.

(Formerly Offshore Digital Services Inc.)

Report of independent Auditors To the Board of Directors of Sonata Software North America, Inc.

We have audited the accompanying balance sheets of Sonata Software North America, Inc. as of March 31, 2010 and 2009, 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 Sonata Software North America, 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 Sonata Software North America, Inc. as of March 31, 2010 and 2009, 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, Sonata Software North America, Inc. is a wholly owned subsidiary of Sonata Software Limited, and has significant transactions with its parent company.

Wilson Markle Stuckey Hardesty & Bott

6th April, 2010

BALANCE SHEET AS AT 31ST MARCH, 2010

US\$

	AS AT 31.03.2010	AS AT 31.03.2009
Assets		
Current Assets		
Cash and Cash Equivalents	343,825	497,437
Accounts Receivable, Net of Allowance of \$10,000 (2009 - \$30,000)	2,594,176	1,793,483
Prepaid Expenses	11,882	53,986
Total Current Assets	2,949,883	2,344,906
Property and Equipment, at Cost	285,052	284,306
Accumulated Depreciation	(270,002)	(263,395)
Property and Equipment, net	15,050	20,911
Deposits and other assets	9,175	16,239
Total Assets	2,974,108	2,382,056
Liabilities and Net Capital Deficiency		
Current Liabilities		
Accounts Payable	-	23
Accounts Payable - Sonata, net	5,080,163	2,294,351
Accrued Expenses	211,524	243,540
Total Current Liabilities	5,291,687	2,537,914
Preferred stock, \$0.0001 par value, redeemable, liquidation value of \$1.00 per share, 6,500,000 shares authorized, 2,500,000 shares issued and outstanding	-	2,500,000
Net Capital Deficiency		
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)	(2,617,579)	(2,955,858)
Total Net Capital Deficiency	(2,317,579)	(2,655,858)
Total Preferred Stock and Net Capital Deficiency	(2,317,579)	(155,858)
Total Liabilities and Net Capital Deficiency	2,974,108	2,382,056



Sonata Software North America, Inc.

STATEMENT OF INCOME AND ACCUMULATED DEFICIT FOR THE YEAR ENDED 31ST MARCH, 2010

	US\$	
	YEAR ENDED 31.03.2010	YEAR ENDED 31.03.2009
Computer programming services		
Revenues	14,692,632	12,694,787
Direct costs	13,553,904	10,790,097
Gross margin	1,138,728	1,904,690
Expenses		
Sales, general and administrative	778,345	1,391,780
Depreciation	6,607	11,522
Total expenses	784,952	1,403,302
Income before taxes	353,776	501,388
Taxes on income	15,497	15,821
Net income	338,279	485,567
Retained earnings (accumulated deficit)		
Beginning of year	(2,955,858)	(3,441,425)
End of year	(2,617,579)	(2,955,858)

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31ST MARCH, 2010

	US\$	
	YEAR ENDED 31.03.2010	YEAR ENDED 31.03.2009
Cash flows from Operating Activities		
Net income	338,279	485,567
Adjustments to reconcile net income to net cash provided (used) by operating activities		
Depreciation	6,607	11,522
Changes in Current Assets and Liabilities		
Accounts receivable	(800,693)	494,139
Prepaid expenses	42,104	(10,095)
Accounts payable	(23)	23
Accrued expenses	(32,016)	(155,246)
Net Cash provided (used) by operating activities	(445,742)	825,910
Cash flows from investing activities		
Purchases of property & equipment	(746)	(8,660)
Net change in deposits & other assets	7,064	9,524
Net Cash provided by investing activities	6,318	864
Cash flows from financing activities		
Net change in accounts payable - Sonata	2,785,812	(582,705)
Redemption of preferred stock	(2,500,000)	-
Net Cash provided (used) by financing activities	285,812	(582,705)
Change in Cash and Cash Equivalents	(153,612)	244,069
Cash and Cash Equivalents, beginning of year	497,437	253,368
Cash and Cash Equivalents, end of year	343,825	497,437
Supplemental Cash flow information		
Cash paid for income taxes	10,266	11,498

Sonata Software North America, Inc.

NOTES TO FINANCIAL STATEMENTS AT 31ST MARCH, 2010

Note 1 Summary of Significant Accounting Policies

Basis of Presentation

Sonata Software North America, Inc. (SSNA) changed its name from Offshore Digital Services, inc. on March 29, 2010. SSNA is a California corporation formed April 17, 1992 and based in Fremont, California. SSNA 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 SSNA, trains and provides substantially all the employees of SSNA. Such employees work in the United States for SSNA.

Fiscal year

SSNA 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. SSNA records property and equipment at cost. Depreciation is provided on a straight-line basis over estimated useful lives of from five to seven years. SSNA generally capitalizes acquisitions exceeding \$500.

Accounts receivable and revenue

SSNA 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. SSNA recognizes contract revenue and records a receivable when the employees and independent contractors perform the services.

SSNA 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. SSNA records expenses related to excess or corrective hours as incurred.

Allowance for uncollectible accounts receivable

SSNA uses the allowance method to account for uncollectible accounts receivable. Under this method, SSNA reviews all receivables for any collection problems. If SSNA determines that there may be a collection problem, it estimates an allowance for the receivable. When attempts to collect a specific receivable are unsuccessful, SSNA considers the account uncollectible and writes it off against the allowance.

Taxes on income

SSNA 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.

SSNA provides a 100% valuation allowance for any deferred income tax asset resulting from loss carry forwards, based a more likely than not assessment.

In July 2006, the Financial Accounting Standards Board (FASB) issued Interpretation No.48, Accounting for Uncertainty in Income taxes ("FIN 48"). FIN 48 applies to all tax positions related to income taxes subject to FASB Statement No.109, *Accounting for Income Taxes*. Under FIN 48, an entity would recognize the benefit from a tax position only if it were more likely than not that the position would be sustained upon audit based solely on the technical merits of the tax position. FIN 48 clarifies how an entity would measure the income tax benefits from the tax position that are recognized, provides guidance as to the timing of the derecognized of previously recognized tax benefits and describes the methods for classifying and disclosing the liabilities with in the financial statement for any unrecognised tax benefits. FIN 48 also addresses when an entity should record interest and penalties related to tax position and how the interest and penalties may be classified within the statement of income and presented on the balance sheet. FIN 48 is effective for fiscal years beginning after December 15, 2008. Difference between the amounts recognized in the statement of operations prior to and after the adoption of FIN 48 would be accounted for as a cumulative effect adjustment to the beginning balance of net assets. The amount that taxing authorities ultimately sustain for individual or aggregate uncertain tax positions could differ from the amount recognized herein. Management of SSNA evaluates all positions taken on income tax returns and does not believe that any current positions are subject to adjustments herein under FIN 48.

Credit risk and concentration

SSNA provides services throughout the United States to various private companies and other institutions. SSNA performs ongoing credit evaluations of the financial condition of its customers and generally requires no collateral from them.

SSNA estimates a provision for losses on its accounts receivable based on total contract revenue, accounts receivable aging and previous experience. SSNA maintains reserves for potential credit losses and such losses have been within expectations.

At various times during the years ended March 31, 2010 and 2009, 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 58% of total revenues during the year ended March 31, 2010. Revenue from a series of contracts with five companies comprised approximately 55% of total revenues during the year ended March 31, 2009. Amounts due from three companies comprised approximately 55% of total accounts receivable as of March 31, 2010. Amounts due from two companies comprised approximately 30% of total accounts receivable as of March 31, 2009.

Use of estimates

SSNA 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 accounting principles generally accepted in the United States 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.

Recent accounting pronouncements:

In May 2009, the FASB issued SFAS No.165, Subsequent Events (SFAS 165). SFAS 165 establishes general standards of accounting and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. SFAS 165 requires disclosure of the date through which management has evaluated subsequent events and the basis for that date. SFAS 165 was effective for fiscal periods ending after June 15, 2009. The adoption of SFAS 165 did not have material impact on SSNA's disclosures.

In June 2009, the FASB issued SFAS No.168, *The FASB Accounting Standards codification and the Hierarchy of Generally Accepted Accounting Principles (SFAS 168)*, a replacement of FASB Statement No.162, The Hierarchy of Generally Accepted Accounting Principles. SFAS 168 establishes the FASB Accounting Standards Codification (Codification) as the source of authoritative accounting principles recognized by the FASB to be applies by nongovernmental entities in the preparation of financial statements in conformity with accounting principles generally accepted in the United States. SFAS 168 is effective for financial statements issued for annual periods ending after September 15, 2009. The Codification is not intended to change accounting principles generally accepted in the United States and will have no impact on SSNA's financial statements. However, since the Codification completely supersedes existing accounting standards, it will affect the way authoritative accounting pronouncements are referenced in future financial statements.

Note 2 - Sonata Software

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

During the years ended March 31, 2010 and 2009, SSNA and Sonata based charges between them on the cost of the services rendered. During the years ended March 31, 2010, SSNA paid or otherwise accrued charges totaling \$11,903,557 (2009 - \$8,729,453) to Sonata for contract programming services. In addition, Sonata reimbursed SSNA for certain payroll and administrative costs that SSNA incurred on behalf of Sonata.

Because of the various charges and reimbursements indicated above and other charges and transfers, SSNA records in its internal financial statements various receivables and payables due from and to Sonata. As of March 31, 2010 and 2009, SSNA nets the various related receivables and payables, which reconcile as follows:

	As at 31.03.2010	As at 31.03.2009
Accounts Payable Sonata – Software Development and other charges	5,325,209	2,531,045
Accounts Receivable Sonata – Living allowance and reimbursements	245,046	236,694
Accounts Payable – Sonata, net	5,080,163	2,294,351

US\$

Note 3 - Income Taxes

SSNA 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 \$2,088,000. SSNA has recorded a 100% valuation allowance against the deferred tax asset resulting from the loss carry forwards. SSNA has no other material deferred income tax assets or liabilities.

Income tax expense for the years ended March 31, 2010 and 2009, 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.

Note 4 - Preferred stock

In September 2001, SSNA 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, SSNA 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 2009, SSNA amended its articles of incorporation to eliminate the cumulative dividend for the preferred stock and preferential treatment with respect to any future dividends. During the year ended March 31, 2010, SSNA redeemed the balance of the preferred stock.

Note 5 - Retirement plan

SSNA maintains a defined contribution pension plan for the benefit of its employees. Eligible employees may defer a portion of their salary into the plan. SSNA matches employee contributions to the plan. During the year ended March 31, 2010, SSNA made matching contributions to the plan totaling \$33,211 (2009 - \$29,789).

Note 6 - Commitments and contingencies

SSNA leases office facilities under various cancelable and non-cancelable operating leases expiring through November, 2012. Future minimum payments under the non-cancelable leases for the year ending March 31, 2010, total as follows:

2011	\$46,617
2012	\$44,301
2013	\$29,839

Office facility and other rent expense that SSNA charged to operations, net of reimbursements received from Sonata, for the years ended March 31, 2010 totaled \$54,606 and (2009 - \$102,900).

Note 7 - Subsequent events

In accordance with SFAS No.165, Subsequent Events, SSNA evaluated subsequent events for recognition and disclosure through April 6, 2010, the date that these financial statements were available to be issued. Management concluded that no material subsequent events have occurred since March 31, 2010 that required recognition or disclosure in such financial statements.

Sonata Software GmbH

CERTIFICATION OF INDEPENDENT AUDITORS

We have reviewed the accompanying balance sheet of Sonata Software GmbH as of March 31, 2010 and the related statements of operations for the period April 1st, 2009 to March 31, 2010. 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, 2010 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, 1st April, 2010

O & R
Oppenhoff & Rädler AG

BALANCE SHEET

	Euro	
	AS AT 31.03.10	AS AT 31.03.09
ASSETS		
A. Current assets		
I. Debtors and other assets		
1. Trade debtors	242,391.72	170,417.81
2. Other assets	<u>3,431.80</u>	2,360.00
II. Cheque, cash on hand, federal bank and postal giro accounts, cash at banks	380,508.04	319,906.83
B. Prepayments and deferred charges	<u>275.00</u>	275.00
	<u><u>626,606.56</u></u>	<u><u>492,959.64</u></u>
LIABILITIES AND EQUITY		
A. Equity		
I. Subscribed capital	25,000.00	25,000.00
II. Capital reserve	25,000.00	25,000.00
III. Unappropriated profit brought forward	93,191.38	36,133.16
IV. Profit for the year	39,120.22	57,058.22
B. Accruals		
1. Tax Accruals	31,939.57	22,391.57
2. Other Accruals	<u>124,100.00</u>	105,230.00
C. Creditors		
1. Trade Creditors	27,968.27	27,452.44
- thereof with a remaining term of up to one year Euro 27,968.27 (Euro 27,452.44)		
2. Amounts due to investee companies	201,446.73	18,536.36
-thereof with a remaining term of up to one year Euro 201,446.73 (Euro 18,536.36)		
3. Other creditors	<u>58,840.39</u>	176,157.89
- thereof for taxes Euro 58,840.39 (Euro 90,266.41)		
- thereof for social security costs Euro 0,00 (Euro 12,501.16)		
- thereof with a remaining term of upto one year Euro 58,840.39 (Euro 176,157.89)		
	<u><u>626,606.56</u></u>	<u><u>492,959.64</u></u>

PROFIT AND LOSS ACCOUNT

	Euro	
	01.04.09 to 31.03.10	01.04.08 to 31.03.09
1 Sales revenues	2,937,045.89	2,135,118.54
2 Total output	2,937,045.89	2,135,118.54
3 Other operating income		
a) Other extraordinary income in connection with ordinary business activities	167.85	-
4 Staff costs		
a) Wages and salaries	1,641,786.41	1,160,667.34
b) Social security costs and pension and welfare expense	295,197.05	151,949.98
5 Other operating expenses		
a) Ordinary operating loss		
i) Cost of premises	3,455.50	3,429.10
ii) Insurance premiums, contributions and dues	742.18	925.40
iii) Travel and advertising costs	4,895.55	32,636.00
iv) Various operating costs	924,006.00	701,258.24
b) Other extraordinary operating expense in connection with ordinary business activities	<u>2,874.82</u>	<u>142.26</u>
6 Profit(loss) from ordinary activities	64,256.23	84,110.22
7 Taxes on profit	25,136.01	27,052.00
8 Profit for the year	<u><u>39,120.22</u></u>	<u><u>57,058.22</u></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 1st April, 2009 to 31st March, 2010, in accordance with the German Commercial Law (HGB). These consolidated financial statements have been audited by an independent auditor.

TUI InfoTec GmbH

Michael Ohm **Klaus Speder**

GROUP BALANCE SHEET

ASSETS

	EURO	
	AS AT 31.03.2010	AS AT 31.03.2009
A. Fixed assets		
I. Intangible assets		
Concessions, industrial property and similar rights and assets, and licences in such rights and assets	2,011,996.00	2,658,286.14
II. Tangible asset		
Factory and office equipment	6,202,101.00	7,293,178.00
III. Financial assets		
1. Shares in group undertakings	20,276.83	20,276.83
2. Companies measured at equity	456,141.52	753,995.03
3. Long-term securities	<u>1,289,276.51</u>	1,765,694.86
		-
B. Current assets		
I. Inventories		
1. Finished goods and goods for resale	86,419.58	86,419.58
2. Work in progress	<u>1,069,631.00</u>	1,156,050.58
		296,946.74
II. Receivables and other assets		
1. Trade account receivables	13,006,653.81	18,197,915.29
2. Receivables from affiliated companies	252,156.25	-
3. Other current assets	<u>302,040.82</u>	13,560,850.88
		246,107.35
III. Marketable securities	4,200,349.87	-
IV. Bank balances	3,916,155.54	5,446,998.64
C. Prepaid expenses	3,746,789.36	3,210,743.50
D. Deferred tax assets	<u>1,101,498.29</u>	1,164,491.89
	<u>37,661,486.38</u>	<u>39,375,358.99</u>

EQUITY AND LIABILITIES

	EURO	
	AS AT 31.03.2010	AS AT 31.03.2009
A. Shareholders' capital		
I. Subscribed capital	1,000,000.00	1,000,000.00
II. Capital reserves	1,287,068.68	1,287,068.68
III. Consolidated profits	10,058,586.76	7,492,546.46
IV. Minority interests	387,333.80	350,393.20
B. Provisions		
1. Provisions for pensions	9,794,083.63	8,778,138.71
2. Tax provisions	933,923.00	643,127.00
3. Deferred tax provisions	1,577.67	3,261.53
4. Other provisions	<u>10,482,148.00</u>	21,211,732.30
		12,810,250.45
C. Liabilities		
1. Liabilities to banks	500,000.00	500,000.00
2. Payments received on account	747,260.00	-
3. Trade creditors	86,571.43	1,637,169.47
4. Amounts owed to affiliated companies	550,588.62	457,536.54
5. Other liabilities	<u>1,071,258.46</u>	2,955,678.51
		3,294,788.79
D. Deferred income and accrued expenses	761,086.33	1,121,078.16
	<u>37,661,486.38</u>	<u>39,375,358.99</u>

CONSOLIDATED PROFIT AND LOSS ACCOUNT

	EURO	
	01.04.09 to 31.03.10	01.04.08 to 31.03.09
1. Turnover	97,777,516.04	111,283,959.84
2. Changes to work in progress	1,037,684.26	15,472.24
3. Other operating income	1,202,242.65	1,016,181.44
4. Cost of materials and purchased services		
a) Cost of materials	122,632.80	85,517.66
b) Cost of purchased services	41,447,236.41	41,569,869.21
5. Gross profit	58,447,573.74	60,518,368.56
6. Staff costs		
a) Wages and salaries	30,728,789.13	32,248,355.53
b) Social security, pension and other benefits	6,761,942.65	37,490,731.78
7. Amortization and depreciation of fixed intangible and tangible assets	6,255,286.87	5,495,817.20
8. Other operating expenses	7,641,703.17	9,393,956.15
9. Result from companies measured at equity	(237,373.51)	38,046.89
10. Income from securities	22,052.36	-
11. Other interest and similar income	10,020.14	153,068.87
12. Interest and similar expenses	750,085.06	618,814.83
13. Profit on ordinary activities	6,104,465.85	6,288,705.24
14. Taxes on income	2,005,977.84	2,014,985.44
15. Other taxes	25,638.50	24,217.25
16. Profit for the year	4,072,849.51	4,249,502.55
17. Profit owed to other shareholders	81,783.43	70,012.57
18. Consolidated profits for the period	3,991,066.08	4,179,489.98
19. Profit carry forward	7,492,546.46	6,162,655.10
20. Dividends paid	1,425,025.78	2,849,598.62
21. Consolidated profits	10,058,586.76	7,492,546.46

GROUP CASH FLOW STATEMENT

	EURO	
	01.04.09 to 31.03.10	01.04.08 to 31.03.09
Net result before paid tax on income	5,751,161.62	6,789,098.09
Write-downs on non-current assets	6,255,286.87	5,495,817.20
Increase / Decrease of accruals and provisions	(1,021,361.53)	(271,425.02)
Loss from disposal of fixed assets	48,640.87	-
Other non cash related income and expenses	237,373.51	-
Decrease / Increase of inventories, trade receivables and other assets not related to investing or financing activities	3,637,435.23	370,888.23
Increase / Decrease of trade payables and other liabilities not related to investing or financing activities	(3,295,491.98)	1,303,335.05
Dividens received from companies measured at equity	60,480.00	-
Tax on income paid	(1,678,312.11)	(4,624,070.50)
Cash flows from operating activities	9,995,212.48	9,063,643.05
Payments received from disposals of tangible and intangible assets	7,476.13	298,438.00
Purchase of property, plant and equipment	(909,012.18)	(1,842,377.60)
Purchase of intangible assets	(3,665,024.55)	(5,187,776.90)
Purchase of financial assets	(1,289,276.51)	(100,000.00)
Cash flows from investing activities	(5,855,837.11)	(6,831,716.50)
Distribution to minority shareholders	(44,842.82)	(96,551.39)
Cash proceeds form long term borrowings	-	500,000.00
Financial activities with minority shareholders	-	116,548.03
Distribution to shareholders	(1,425,025.78)	(2,849,598.62)
Cash flows from financing activities	(1,469,868.60)	(2,329,601.98)
Change in cash funds from cash relevant transactions	2,669,506.77	(97,675.43)
Cash funds at the beginning of period	5,446,998.64	5,544,674.07
Cash funds at the end of period	8,116,505.41	5,446,998.64



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 31 March 2010.

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 continued the provision of software development and services 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.

KEY PERFORMANCE INDICATORS

The company achieved a turnover from provision of software development and services of £235,658 (2009 - £106,836). The company also received dividends in respect of its shareholding in TUI InfoTec GmbH of £623,286 (2009 - £1,210,059).

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 £429,061. 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:

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.

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 complies with all relevant terms and conditions.



DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Directors' 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). Under company law the directors must not approve the financial statements unless they are satisfied that they 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 those 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 in appropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the directors are aware

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

AUDITOR

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

Approved by the directors on 10.04.2010 and signed by

S Ramarao
Director



Sonata Europe Limited

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF SONATA EUROPE LIMITED YEAR ENDED 31ST MARCH, 2010

We have audited the financial statements of Sonata Europe Limited for the year ended 31 March 2010. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's shareholders, as a body, in accordance with Sections 495 and 496 of the Companies Act 2006. 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

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by directors; and the overall presentation of the financial statements.

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2010 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Lee Facey
(Senior Statutory Auditor)
For and on behalf of
Lubbock Fine
Chartered Accountants
& Statutory Auditor

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

Date: 12th April, 2010

Sonata Europe Limited

PROFIT AND LOSS ACCOUNT YEAR ENDED 31ST MARCH, 2010

	Note	Year to 31 Mar 10	Year to 31 Mar 09
(£)			
TURNOVER	2	235,658	106,836
Cost of sales		(188,726)	(86,298)
GROSS PROFIT		46,932	20,538
Administrative expenses		(270,791)	(171,753)
OPERATING LOSS	3	(223,859)	(151,215)
Income from shares in group undertakings	6	623,286	1,210,059
Interest receivable		29,634	25,157
Interest payable and similar charges	7	-	(44,069)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		429,061	1,039,932
Tax on profit on ordinary activities	8	-	-
PROFIT FOR THE FINANCIAL YEAR		429,061	1,039,932
Balance brought forward		1,258,016	218,084
Balance carried forward		<u>1,687,077</u>	<u>1,258,016</u>

All of the activities of the company are classed as continuing.

The company has no recognised gains or losses other than the results for the year as set out above.

BALANCE SHEET AS AT 31ST MARCH, 2010

	Note	2010	2009
(£)			
FIXED ASSETS			
Tangible assets	9	1,076	-
Investments	10	12,688,116	12,688,116
		12,689,192	12,688,116
CURRENT ASSETS			
Debtors	11	198,043	40,677
Cash at bank		1,674,574	1,273,531
		1,872,617	1,314,208
CREDITORS:			
Amounts falling due within one year	12	(153,932)	(23,508)
NET CURRENT ASSETS		1,718,685	1,290,700
TOTAL ASSETS LESS CURRENT LIABILITIES		14,407,877	13,978,816
CAPITAL AND RESERVES			
Called-up share capital	13	12,720,800	12,720,800
Profit and loss account		1,687,077	1,258,016
SHAREHOLDERS' FUNDS	14	14,407,877	13,978,816

These financial statements were approved by the directors and authorised for issue on 10th April 2010 and are signed on their behalf by:

S Ramarao
Director

CASH FLOW STATEMENT YEAR ENDED 31ST MARCH, 2010

	Note	Year to 31 Mar 10	Year to 31 Mar 09
(£)			
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	15	(258,948)	(61,067)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Income from group undertakings		623,286	1,210,059
Interest received		37,879	11,118
Interest paid		-	(66,297)
NET CASH INFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		661,165	1,154,880
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT	15	(1,174)	-
CASH INFLOW BEFORE FINANCING		401,043	1,093,813
FINANCING			
Issue of equity share capital		-	2,627,500
Repayment of bank loans		-	(3,561,254)
NET CASH OUTFLOW FROM FINANCING		-	(933,754)
INCREASE IN CASH	15	401,043	160,059

Sonata Europe Limited

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31ST MARCH, 2010

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

The company was, at the end of the year, a wholly-owned subsidiary of another company incorporated outside the EEA and in accordance with Section 401 of the Companies Act 2006, is not required to produce and has not published consolidated accounts.

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.

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Computer equipment : 33.33% straight line

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, with the following exceptions:

Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold.

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:

	31.03.2010	31.03.2009
	(£)	(£)
United Kingdom	235,658	102,094
Overseas	-	4,742
	<u>235,658</u>	<u>106,836</u>

3. OPERATING LOSS

Operating loss is stated after charging/(crediting):

Depreciation of owned fixed assets	98	-
Net loss / (profit) on foreign currency translation	39,238	(108,952)
Auditor's remuneration - audit of the financial statements	3,500	3,500
Auditor's remuneration - other fees	<u>13,210</u>	<u>15,500</u>
Auditor's remuneration - audit of the financial statements	3,500	3,500
Auditor's remuneration - other fees		
- Taxation services	1,045	1,750
- Accountancy services	11,200	12,450
- Secretarial services	<u>965</u>	<u>1,300</u>
	<u>13,210</u>	<u>15,500</u>

4. PARTICULARS OF EMPLOYEES

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

Number of administrative staff	1	1
The aggregate payroll costs were:	(£)	(£)
Wages and salaries	127,872	142,052
Social security costs	<u>15,393</u>	<u>17,387</u>
	<u>143,265</u>	<u>159,439</u>

5. DIRECTORS' REMUNERATION

The directors' aggregate remuneration in respect of qualifying services were:

Emoluments receivable	<u>127,872</u>	<u>142,052</u>
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	Year to 31 Mar 10	Year to 31 Mar 09
	(£)	(£)
6. INCOME FROM SHARES IN GROUP UNDERTAKING		
Dividends from group undertakings	<u>623,286</u>	<u>1,210,059</u>
7. INTEREST PAYABLE AND SIMILAR CHARGES		
Interest payable on bank borrowing	<u>-</u>	<u>44,069</u>
8. TAXATION ON ORDINARY ACTIVITIES		
Analysis of charge in the year		
Current tax:		
UK Corporation tax based on the results for the year at nil% (2009-28%)	-	283,716
Relief for overseas taxation	<u>-</u>	<u>(283,716)</u>
<p>At the balance sheet date a deferred tax asset of £93,104 (2009 - £38,721) 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.</p>		
Factors affecting current tax charge		
<p>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% (2009 - 28%).</p>		
Profit on ordinary activities before taxation	<u>429,061</u>	<u>1,039,932</u>
Profit on ordinary activities by rate of tax	120,137	291,181
Relief for overseas taxation	-	(283,716)
Utilisation of tax loss brought forward	-	(7,465)
Non taxable income	(174,520)	-
Losses generated in the year carried forward	54,685	-
Capital allowances in excess of depreciation	(302)	-
Total current tax	<u>-</u>	<u>-</u>

9. TANGIBLE FIXED ASSETS	Computer equipment
	(£)
COST	
Additions	<u>1,174</u>
At 31 March 2010	<u>1,174</u>
DEPRECIATION	
Charge for the year	<u>98</u>
At 31 March 2010	<u>98</u>
NET BOOK VALUE	
At 31 March 2010	<u>1,076</u>
At 31 March 2009	<u>-</u>

10. INVESTMENTS	
COST	
At 1 st April, 2009 and 31 st March, 2010	<u>12,688,116</u>
NET BOOK VALUE	
At 31 st March, 2010 and 2009	<u>12,688,116</u>

The company owns 50.1% of the shares of TUI InfoTec 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.

	2010 (£)	2009 (£)
Trade debtors	179,297	9,200
Other debtors	12,953	17,439
Prepayments and accrued Income	5,793	14,038
	<u>198,043</u>	<u>40,677</u>

12. CREDITORS		
Amounts falling due within one year		
VAT	24,012	741
Other creditors	124,559	15,717
Accruals and deferred income	5,361	7,050
	<u>153,932</u>	<u>23,508</u>



Sonata Europe Limited

Notes to Financial Statement (Contd.)

13. SHARE CAPITAL

	2010 (£)	2009 (£)
Authorised share capital:		
1,000,000 Ordinary shares of £1 each	1,000,000	1,000,000
15,000,000 2% redeemable convertible preference shares of £1 each	15,000,000	15,000,000
	<u>16,000,000</u>	<u>16,000,000</u>

	No.	2010 (£)	No.	2009 (£)
Allotted, called up and fully paid up:				
Ordinary shares of £1 each	671,700	671,700	671,700	671,700
2% redeemable convertible preference shares of £1 each	12,049,100	12,049,100	12,049,100	12,049,100
	12,720,800	12,720,800	12,720,800	12,720,800

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

	2010 (£)	2009 (£)
Profit for the financial year	429,061	1,039,932
New preference share capital subscribed	-	2,627,500
Opening shareholders' funds	13,978,816	10,311,384
Closing shareholders' funds	<u>14,407,877</u>	<u>13,978,816</u>

15. NOTES TO THE CASH FLOW STATEMENT

RECONCILIATION OF OPERATING LOSS TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

Operating loss	(223,859)	(151,215)
Depreciation	98	-
(Increase)/decrease in debtors	(165,611)	101,673
Increase/(decrease) in creditors	<u>130,424</u>	<u>(11,525)</u>
Net cash outflow from operating activities	<u>(258,948)</u>	<u>(61,067)</u>

CAPITAL EXPENDITURE

	2010 (£)	2009 (£)
Payments to acquire tangible fixed assets	(1,174)	-
Net cash outflow from capital expenditure	<u>(1,174)</u>	<u>-</u>

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

Increase in cash in the period	401,043	160,059
Net cash outflow from bank loans	-	3,561,254
	<u>401,043</u>	<u>3,721,313</u>
Change in net funds	401,043	3,721,313
Net funds at 1 st April, 2009	1,273,531	(2,447,782)
Net funds at 31st March, 2010	<u>1,674,574</u>	<u>1,273,531</u>

ANALYSIS OF CHANGES IN NET FUNDS

	At 1 Apr, 09	Cash flows	At 31 Mar, 10
Net cash:			
Cash in hand and at bank	1,273,531	401,043	1,674,574
Net funds	<u>1,273,531</u>	<u>401,043</u>	<u>1,674,574</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, NR Colony, Bangalore 560 019, India.

Sonata Software FZ LLC, Dubai

DIRECTOR'S REPORT

FOR THE PERIOD ENDED 31ST MARCH 2010

The directors present their report and financial statements for the year ended 31 March 2010.

The company was incorporated on 11 January 2009.

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The principal activity of the company is providing valuebased 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 31 March 2010, 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 7th April, 2010 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 31st March, 2010

Report on the Financial Statements

We have audited the accompanying financial statements of Sonata Software FZ LLC ("the company"), which comprise the statement of financial position as at 31 March 2010, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended 31 March 2010, and a summary of significant accounting policies and other explanatory notes.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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 2010 and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Russell Bedford (Dubai) Limited

Date: 7th April, 2010



Sonata Software FZ LLC, Dubai

Statement of comprehensive income For the year ended 31st March 2010

	Notes	US\$ 31.03.10
Revenue		2,645,267
Cost of services		(2,197,561)
GROSS PROFIT		447,706
General and administrative expenses		(331,446)
NET PROFIT FOR THE YEAR	3	116,260

Balance Sheet

	Notes	US\$ As at 31.03.10
--	-------	---------------------------

ASSETS

NON-CURRENT ASSETS

Tangible assets	4	9,195
Total non-current assets		9,195

CURRENT ASSETS

Trade and other receivables	5	1,097,608
Work in progress	6	334,658
Cash and cash equivalents	7	136,790
Total current assets		1,569,056
Total assets		1,578,251

LIABILITIES

CURRENT LIABILITIES

Amount due to a related party	9	1,208,561
Trade and other payables	8	86,981
Total liabilities		1,295,542

EQUITY

Share capital	10	136,129
Retained earnings		146,580
Total equity		282,709
Total equity and liabilities		1,578,251

These financial statement were approved by the directors on 7th April, 2010 and signed on their behalf by:

B Ramaswamy
Director

Statement of changes in equity For the year ended 31st March 2010

	Issued share capital	Retained earnings	US\$ Total
Share capital subscribed	136,129	-	136,129
Profit for the period	-	30,320	30,320
Balance at 31st March, 2009	136,129	30,320	166,449
Balance at 1 April 2009	136,129	30,320	166,449
Profit for the period	-	116,260	116,260
Balance at 31st March, 2010	136,129	146,580	282,709

Cash Flow Statement For the year ended 31st March 2010

	US\$ As at 31.03.10
CASH FLOWS FROM OPERATING ACTIVITIES	
Profit for the year	116,260
Adjustments for Depreciation and amortisation	5,121
	121,381
CHANGES IN WORKING CAPITAL	
Change in trade and other receivables	(722,453)
Change in work in progress	(334,658)
Change in amounts due to a related party	989,329
Change in trade and other payables	46,779
NET CASH FLOWS FROM OPERATING ACTIVITIES	100,378
CASH FLOWS FROM INVESTING ACTIVITIES	
Additions to fixed assets	(2,572)
NET INCREASE IN CASH AND CASH EQUIVALENTS	97,806
CASH AND CASH EQUIVALENTS	
At the beginning of the year	38,984
At end of the year	136,790

Sonata Software FZ LLC, Dubai

Notes to the financial statements For the year ended 31st March, 2010

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 valuebased 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.

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 11 January 2009.

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 derecognised. 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 straightline 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 assets' 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 shortterm 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.



Sonata Software FZ LLC, Dubai

Notes (Contd.)

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\$

	For the year ended 31.03.10
Auditors remuneration	14,000
Depreciation and amortisation	5,121
Staff costs	184,991
Office rent	54,981

4. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment at 31st March, 2010 consisted of:

US\$

	Leasehold improvements	Office equipment	Computers and peripherals	Furniture and fixtures	Total
Cost					
At 11 January 2009	-	-	-	-	-
Additions during the period	2,852	451	3,689	5,554	12,546
At 31 March 2009	2,852	451	3,689	5,554	12,546
At 1 April 2009	2,852	451	3,689	5,554	12,546
Additions during the year	-	-	2,572	-	2,572
At 31 March 2010	2,852	451	6,261	5,554	15,118
Depreciation					
At 11 January 2009	-	-	-	-	-
Charge during the period	492	11	150	149	802
At 31 March 2009	492	11	150	149	802
At 1 April 2009	492	11	150	149	802
Charge during the year	2,360	63	1,904	794	5,121
At 31 March 2010	2,852	74	2,054	943	5,923
Net book value At 31st March, 2010	-	377	4,207	4,611	9,195
At 31st March, 2009	2,360	440	3,539	5,405	11,744

	US\$
5. TRADE AND OTHER RECEIVABLES	31.03.2010
Trade receivables	1,053,401
Prepayments	26,304
Staff advance	5,624
Other receivables	12,279
	<u>1,097,608</u>
6. WORK IN PROGRESS	
Work in progress	334,658
	<u>334,658</u>
7. CASH AND CASH EQUIVALENTS	
This includes cash balances held in United States Dollars and United Arab Emirates Dirhams current accounts with commercial banks in the United Arab Emirates.	
8. TRADE AND OTHER PAYABLES: Amounts falling due within one year	
Accrued consultant charges	60,729
Accrued expenses	8,000
Accrued salaries	18,252
	<u>86,981</u>
9. AMOUNTS DUE TO RELATED PARTIES	
Sonata Software Limited	1,181,506
Sonata Information Technologies Limited	27,055
	<u>1,208,561</u>

10. SHARE CAPITAL

The details of share capital at 31st March, 2010 are shown below:

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

11. FINANCIAL INSTRUMENTS

	Carrying amount	Fair value
Financial assets		
Cash and cash equivalents	136,790	136,790
Trade and other receivables	<u>1,097,608</u>	<u>1,097,608</u>
Financial liabilities		
Trade and other payables	86,981	86,981
Amounts due to related parties	<u>1,208,561</u>	<u>1,208,561</u>

The fair value of financial assets and liabilities approximate the book value at 31 March 2010. Accounting policies for financial assets and financial liabilities are set out in note 2.

The main risks arising from the company's financial instruments are currency risk, credit risk and liquidity risk.

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.

12. 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

REMUNERATION COMMITTEE

S N Talwar, Chairman
S B Ghia
B K Syngal

SOLICITORS

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

AUDITORS

M/s N M Raiji & Co

COMPANY SECRETARY

Praveen Kumar D

INVESTOR QUERIES

investor@sonata-software.com

WEBSITE

www.sonata-software.com

REGISTERED OFFICE

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Worli, Mumbai - 400 030, India
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