



**Megasoft Group**  
**Consolidated Financial Results (Provisional) for the Quarter and**  
**Fifteen months period ended 30th September 2003**

Rs lakhs

	Particulars	Quarter ended 30-09-2003 (Unaudited)	15 months period ended 30-09-2003 (Unaudited)	15 months period ended 30-06-2002 (Audited)
1	Total Revenues	1737.83	6393.13	3990.70
2	Other Income	1.06	4.40	58.72
3	<b>Total Income (1 + 2)</b>	<b>1738.89</b>	<b>6397.53</b>	<b>4049.42</b>
4	Total Expenditure	1481.46	5498.75	3611.77
5	<b>Operating Profits (PBIDT) (3 - 4)</b>	<b>257.43</b>	<b>898.78</b>	<b>437.65</b>
6	Financial Expenses	37.73	194.97	249.81
7	Depreciation & Amortisation	79.00	326.89	265.96
8	<b>Profit before Tax (5 - 6 - 7)</b>	<b>140.70</b>	<b>376.92</b>	<b>(78.12)</b>

**Notes to consolidated financial results:**

- 1 The consolidated financial results of the Company and its wholly-owned foreign subsidiaries are prepared in accordance with Accounting Standard (AS-21) on Consolidated Financial Statements issued by the Institute of Chartered Accountants of India.
- 2 The consolidated financial results of the Company for the 15 months period ended 30th September 2003 include results of its wholly-owned foreign subsidiaries:
  - Megasoft Consultants Pte Ltd, Singapore
  - Megasoft (HK) Limited, Hong Kong
  - Megasoft Consultants Sdn Bhd, Malaysia
 and effective 1st January 2003,
  - Megasoft Consultants Inc, USA
  - Megasoft Consultants Limited, UK
  - Megasoft Consultants GmbH, Germany
  - Megasoft Consultants BV, The Netherlands
  - Megasoft Consultants Pty Ltd, Australia
  - Megasoft (NZ) Ltd, New Zealand
 However, the consolidated financial statements for the previous financial year ended 30th June 2002 (15 months) include financials of the Company and its wholly owned subsidiaries at Singapore, Hong Kong and Malaysia. Hence, they are not directly comparable.
- 3 As the consolidated financial results are being published for the first time the comparable figures of the corresponding periods are not given.



**Megasoft Limited**  
**Unaudited Financial Results (Provisional) for the Quarter and**  
**Fifteen months period ended 30th September 2003**

Rs lakhs

	Particulars	Quarter ended		15 months period ended		15 months period ended
		30-09-2003 (Unaudited)	30-09-2002 (Unaudited)	30-09-2003 (Unaudited)	30-09-2002 (Unaudited)	30-06-2002 (Audited)
1	Sales / Services	701.22	555.50	3404.61	3722.00	3818.40
2	Other Income	0.00	1.62	3.17	59.13	58.48
3	<b>Total Income (1 + 2)</b>	<b>701.22</b>	<b>557.12</b>	<b>3407.78</b>	<b>3781.13</b>	<b>3876.88</b>
4	Personnel Expenses	481.82	432.45	2460.86	2831.53	2997.92
5	Operating & Administration Expenses	149.08	100.46	571.02	610.35	627.91
6	(Increase) / Decrease in Work-in-progress	(35.21)	(45.43)	(114.93)	(80.77)	(272.29)
7	<b>Total Expenditure (4 + 5 + 6)</b>	<b>595.69</b>	<b>487.48</b>	<b>2916.95</b>	<b>3361.11</b>	<b>3353.54</b>
8	<b>Operating Profits (PBIDT) (3 - 7)</b>	<b>105.53</b>	<b>69.64</b>	<b>490.83</b>	<b>420.02</b>	<b>523.34</b>
9	Financial Expenses	32.10	23.11	165.29	212.46	248.95
10	Depreciation & Amortisation	66.50	42.69	290.22	261.76	262.35
11	<b>Profit before Tax (8 - 9 - 10)</b>	<b>6.93</b>	<b>3.84</b>	<b>35.32</b>	<b>(54.20)</b>	<b>12.04</b>
12	Provision for taxation					
	Current Tax	0.00	0.00	0.00	0.00	0.00
	Deferred Tax	0.00	0.00	0.00	(1.19)	(1.19)
13	Profit after Tax before prior period adjustments (11 - 12)	6.93	3.84	35.32	(55.39)	10.85
	Less : Prior period adjustments	0.00	0.00	0.00	(44.60)	(44.60)
14	Net Profit after Tax after prior period adjustments	6.93	3.84	35.32	(99.99)	(33.75)
15	Paid-up Equity Share Capital (Rs.10 per share)	1511.78	1491.07	1511.78	1491.07	1491.07
16	Reserves excluding revaluation reserves					878.97
17	Earnings per Share (Rs) (not annualised)					
	Basic & Diluted (before prior period adjustments)	0.05	0.03	0.23	(0.37)	0.08
	Basic & Diluted (after prior period adjustments)	0.05	0.03	0.23	(0.67)	(0.25)
18	Aggregate of non-promoters' shareholding					
	Number of Shares	7,355,677	7,148,602	7,355,677	7,148,602	7,148,602
	Percentage of holding (to total holding)	48.7%	47.9%	48.7%	47.9%	47.9%



**Notes:**

1. The current Financial Year of the Company has been extended to end on 31st December 2003 for which the required approvals have been obtained from the authorities concerned. Hence, the Financial Year 2002-03 of the Company, will be for a period of 18 (Eighteen) months i.e. from 1st July 2002 to 31st December 2003.
2. The Board of Directors co-opted Mr S Rajeev, former Director of Strategic Alliances of Sun Microsystems, India and Mr Ben Hu, ex-CTO of World Bank as additional directors on the Board of the Company effective 29th August 2003. The Board reappointed Mr D Sudhakar Reddy as Whole-time Director for a period of five years effective 1st September 2003. Mr S Rajagopal Reddy resigned as Whole-time Director on 31st August 2003. However, he continues as a director on the Board of the Company. Consequently, the size of the Board has increased to seven directors.
3. The Company has been assessed by KPMG at the Maturity Level 4 of the Capability Maturity Model (CMM) for Software, Software Engineering Institute (SEI), Carnegie Mellon University, USA. The scope of the assessment covered "Development and Maintenance of Software Solutions covering Legacy, Client-server, Internet, Enterprise and Emerging Technologies."
4. During the current Financial Year, the Company acquired Megasoft Consultants, Inc., US for US\$ 600,000 and it has become a wholly-owned subsidiary effective 1st January 2003.
5. Provision for taxation and deferred tax in compliance with AS-22 (Accounting for Taxes on Income), if any, will be made at the end of the current Financial Year.
6. During the current Financial Year, the Company has reviewed the segmental reporting as its business is mainly in the "Information Technology Services" which constitute one single primary segment. Hence, segment-wise figures are not furnished.
7. Operating & Administration Expenses include Net Exchange Loss of Rs.18.85 lakhs for the quarter and Rs.101.33 lakhs for the fifteen months period ended 30th September 2003.
8. No investor complaints were pending either at the beginning or at the end of the quarter. None were received during the quarter.
9. The Company allotted on 12th June 2002, 42,60,200 Equity Shares of Rs.10 each for cash at a premium of Rs.15 per share aggregating to Rs.1065.05 lakhs on Rights basis in the ratio of two shares for every five shares held on the record date i.e. 26th February 2002. The funds raised from the Rights Issue have been utilised as follows:

	Projected utilisation as per Letter of Offer	Actual Utilisation
	Rs lakhs	Rs lakhs
Repayment of Unsecured Loans	900.00	901.00
Rights Issue Expenses	15.00	9.80
Working Capital margin	150.05	154.25
	1,065.05	1,065.05

10. The Company allotted on 4th October 2002, 2,07,075 Equity Shares of Rs.10 each for cash at a premium of Rs.60 per share aggregating to Rs.144.95 lakhs on Preferential basis pursuant to the approval of the Shareholders at the Extra-ordinary General Meeting held on 14th August 2002. The proceeds from the Issue were utilised for working capital as stated in the objects of the Issue.



11. The steps taken by the Board with regard to the qualifications of statutory auditors in the previous Financial Year's Report for the fifteen months period ended 30th June 2002 are as follows:
  - (a) With regard to appropriateness of carrying value of product development expenditure of Rs.191.74 lakhs in work-in-progress, the Company has conducted technical and marketing feasibility studies on these products. The Management is confident of recovering the costs and make profits from these products in future as it has adequate technical and marketing resources at its disposal.
  - (b) With regard to recoverability of debts and work-in-progress cost incurred in respect of a US client, amounting to Rs.389.10 lakhs and Rs.407.08 lakhs respectively, the Company has realised Rs.135.75 lakhs during the current Financial Year and is confident of recovering the balance in the coming months.
  - (c) As regards non-provision for diminution in value of investments in wholly-owned overseas subsidiaries of Rs.77.14 lakhs, based on the present indications of the business operations of the wholly-owned subsidiaries except the Malaysian subsidiary, the Board of the Company is of the view that no provision is required for diminution in value of investments. In respect of the Malaysian subsidiary, the Board of the Company is of the opinion that such decline in value is temporary in nature considering the inherent value, nature of these investments and expected future cash flows from these investments and hence not determinable.
  - (d) As regards non-provision for advances of Rs.16.81 lakhs and debts due of Rs.25.98 lakhs from the subsidiaries, the Company has since realised these amounts in full.
12. Previous periods' figures have been regrouped wherever necessary.
13. The Statutory Auditors have carried out a 'Limited Review' of the Company's results in terms of clause 41 of the Listing Agreement with the Stock Exchanges.
14. The above results were taken on record at the Meeting of the Board of Directors of the Company held on 30th October 2003.

By Order of the Board  
for **MEGASOFT LIMITED**

**D Sudhakar Reddy**  
*Whole-time Director*

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