



Megasoft Group
Audited Financial Results for the year ended 31 December 2004

Rs million

	Particulars	Unaudited			Audited	
		9 months period ended 30-Sep-2004	Quarter ended 31-Dec-2004	Quarter ended 31-Dec-2003	Year ended 31-Dec-2004	18 months period ended 31-Dec-2003
1	Revenues	590	259	158	849	797
2	Personnel Expenses	449	176	129	625	587
3	Operating Expenses	89	39	25	128	123
4	(Increase) / Decrease in Inventories	(17)	(13)	11	(30)	--
5	Total Expenditure (2 + 3 + 4)	521	202	165	723	710
6	Operating Profit before Interest, Depreciation and Amortisation (1 - 5)	69	57	(7)	126	87
7	Financial Expenses	12	5	10	17	29
8	Depreciation & Amortisation	36	11	6	47	39
9	Operating Profit after Interest, Depreciation and Amortisation (6 - 7 - 8)	21	41	(23)	62	19
10	Other Income / (Expenses)	3	(1)	3	2	(2)
11	Inventories write-off	(68)	--	--	(68)	--
12	Provision / write-off of debtors	(56)	(4)	--	(60)	--
13	Profit / (Loss) before Tax (9 + 10 + 11 + 12)	(100)	36	(20)	(64)	17
14	Provision for taxation					
	Current Tax	--	(3)	(1)	(3)	(1)
	Deferred Tax	--	3	1	3	1
15	Profit / (Loss) after Tax before prior period adjustments (13 - 14)	(100)	36	(20)	(64)	17
16	Less: Prior-period adjustments	--	(4)	--	(4)	--
17	Profit / (Loss) after Tax after prior period adjustments (15 - 16)	(100)	32	(20)	(68)	17
18	Paid-up Equity Share Capital (Rs.10 per share)	254	254	151	254	151
19	Reserves excluding revaluation reserves				60	106
20	Earnings per Share (Rs) (not annualised)					
	Basic	(3.92)	1.41	(1.32)	(2.52)	1.23
	Diluted	(3.92)	1.36	(1.32)	(2.52)	1.23
Segment-wise revenue, results and capital employed						
	Segment Revenue					
	Consulting	489	194	158	683	797
	Life Sciences	11	7	--	18	--
	Telecom	90	58	--	148	--
	Total	590	259	158	849	797
	Less: Inter-segment revenue	--	--	--	--	--
	Net Sales Income from Operations	590	259	158	849	797
	Segment Results					
	Profit / (Loss) before Tax & Interest from each segment					
	Consulting	34	33	12	67	171
	Life Sciences	(2)	(1)	--	(3)	--
	Telecom	20	19	--	39	--
	Total	52	51	12	103	171
	Less: Financial expenses	12	5	10	17	29
	Less: Other unallocable expenditure net-off unallocable income	16	6	22	22	125
	Less: Inventories / debtors write-off / provision	124	4	--	128	--
	Total Profit before Tax	(100)	36	(20)	(64)	17
	Capital Employed (Segment Assets - Segment Liabilities)					
	Consulting	301	312	426	312	426
	Life Sciences	5	6	--	6	--
	Telecom	142	166	--	166	--
	Total	448	484	426	484	426



Megasoft Limited
Audited Financial Results for the year ended 31 December 2004

Rs million

	Particulars	Unaudited			Audited	
		9 months period ended 30-Sep-2004	Quarter Ended 31-Dec-2004	Quarter ended 31-Dec-2003	Year ended 31-Dec-2004	18 months period ended 31-Dec-2003
1	Revenues	186	102	95	288	435
2	Personnel Expenses	108	46	54	154	301
3	Operating Expenses	53	25	16	78	62
4	(Increase) / Decrease in Inventories	(17)	(13)	11	(30)	--
5	Total Expenditure (2 + 3 + 4)	144	58	81	202	363
6	Operating Profit before Interest, Depreciation and Amortisation (1 - 5)	42	44	14	86	72
7	Financial Expenses	8	3	3	11	19
8	Depreciation & Amortisation	34	11	7	45	36
9	Operating Profit after Interest, Depreciation and Amortisation (6 - 7 - 8)	--	30	4	30	17
10	Other Income / (Expenses)	3	(8)	--	(5)	(10)
11	Inventories write-off	(68)	--	--	(68)	--
12	Provision / write-off of debtors	(31)	--	--	(31)	--
13	Profit / (Loss) before Tax (9 + 10 + 11 + 12)	(96)	22	4	(74)	7
14	Provision for taxation Current Tax Deferred Tax	-- --	-- 3	-- 1	-- 3	-- 1
15	Profit / (Loss) after Tax before prior period adjustments (13 - 14)	(96)	25	5	(71)	8
16	Less: Prior-period adjustments	--	(4)	--	(4)	--
17	Profit / (Loss) after Tax after prior period adjustments (15 - 16)	(96)	21	5	(75)	8
18	Paid-up Equity Share Capital (Rs.10 per share)	254	254	151	254	151
19	Reserves excluding revaluation reserves				57	107
20	Earnings per Share (Rs) (not annualised) Basic Diluted	(3.79) (3.79)	0.98 0.94	0.31 0.31	(2.75) (2.64)	0.55 0.55
21	Aggregate of non-promoters' shareholding Number of Shares Percentage of holding (to total holding)	16,713,676 65.7%	17,344,585 68.2%	7,464,611 49.4%	17,344,585 68.2%	7,464,611 49.4%
Segment-wise revenue, results and capital employed						
	Segment Revenue					
	Consulting	110	47	95	157	435
	Life Sciences	--	--	--	--	--
	Telecom	76	55	--	131	--
	Total	186	102	95	288	435
	Less: Inter-segment revenue	--	--	--	--	--
	Net Sales Income from Operations	186	102	95	288	435
	Segment Results					
	Profit / (Loss) before Tax & Interest from each segment					
	Consulting	4	20	23	24	98
	Life Sciences	--	--	--	--	--
	Telecom	7	16	--	23	--
	Total	11	36	23	47	98
	Less: Financial expenses	8	3	3	11	19
	Less: Other unallocable expenditure net-off unallocable income	--	11	16	11	72
	Less: Inventories / debtors write-off / provision	99	--	--	99	--
	Total Profit before Tax	(96)	22	4	(74)	7
	Capital Employed (Segment Assets - Segment Liabilities)					
	Consulting	185	194	342	194	342
	Life Sciences	--	--	--	--	--
	Telecom	140	165	342	165	--
	Total	325	359	684	359	342



Notes:

- 1) Amalgamation of XIUS India Limited ("XIUS") with the Company:
In terms of the Scheme of Amalgamation (Scheme) sanctioned by the Order dated 22nd June 2004 of the Hon'ble High Court of Madras and the Order dated 16th July 2004 of the Hon'ble High Court of Andhra Pradesh, XIUS (whose core business is providing technology solutions to the wireless telecom industry) has been amalgamated with the Company with effect from 1st January 2004. The amalgamation has been accounted for under the "pooling of interest method" as prescribed by Accounting Standard, AS-14, Accounting for Amalgamation issued by the ICAI.
The assets, liabilities, rights and obligations of XIUS have been vested with the Company with effect from 1st January 2004. Consequent to the Court Orders, the Company issued and allotted 10,330,625 Equity Shares of Rs.10 each as fully paid-up in exchange of 4,132,250 equity shares of Rs.10 each to all the shareholders of XIUS, without payment being received in cash, in the ratio of 2:5 on 1st September 2004. These shares were listed and admitted for trading on BSE and MSE on 20 September 2004 and 21 September 2004, respectively. The financial results of the Company and the Group for the quarter and year ended 31 December 2004 include the financials of XIUS for this period. Hence, they are not comparable with the financials of the previous financial period.
- 2) The consolidated financial results of the Group for the previous financial period ended 31st December 2003 include results of its wholly-owned subsidiaries at Singapore, Malaysia and Hong Kong and with effect from 1st January 2003, Megasoft Consultants Inc, USA along with its subsidiaries at UK, Germany, The Netherlands, Australia and New Zealand.
- 3) In line with the Company's strategic transition from a mid-sized IT services company to a leading Intellectual Property led technology company, the Company critically reviewed - (a) the costs of non-core products / projects carried on as inventories and (b) overdue debtors including that of its subsidiaries, in the books of accounts during the current financial year. On account of this the Company has written-off certain inventories and written-off / provided for certain debtors.
- 4) Provision for taxation has been made with reference to the profit for the year ended 31 December 2004 and in accordance with Income Tax Act, 1961 and Rules framed there under. The ultimate tax liability for the financial year 2004-05, however, will be determined on the total income for the year ending 31 March 2005.
- 5) During the current financial year post amalgamation of XIUS, the Company has reviewed the segmental reporting and presented the same accordingly.
- 6) No investor complaints were pending either at the beginning or at the end of the quarter. None were received during the quarter.
- 7) Pursuant to the approval of the shareholders of the Company at the Annual General Meeting held on 18 June 2004, the equity shares of the Company were delisted voluntarily from The Stock Exchange, Ahmedabad and The Hyderabad Stock Exchange Limited with effect from 25 August 2004 and 20 September 2004, respectively.
- 8) The Company allotted securities on preferential basis on 28 February 2005 pursuant to the approval of the shareholders of the Company at the Extra-ordinary General Meeting held on 3 February 2005 and the in-principle listing approval from BSE:
- a) 9,00,000 10% Convertible Redeemable Preference Shares (CRPS) of Rs 100 each, where each CRPS is convertible into two Equity Shares of the face value of Rs 10 each at a price of Rs 50 per share (including premium of Rs 40 per share) within a period of twelve months from that date to Non-Promoters
- b) 7,00,000 Equity Warrants of Rs 50 each to Mr Ravindra Sannareddy, Promoter (amount received Rs 3.5 million, being 10% of the face value of warrants), where each equity warrant is convertible into one Equity Share of the face value of Rs 10 each at a price of Rs 50 per share (including premium of Rs 40 per share) within a period of eighteen months from that date.
- 9) The Company raised an amount of Rs 93.5 million out of the above issue of securities on a preferential basis and utilised the same in the manner following as on date:

	Rs million
Repayment of high cost debt	32.8
Business development / infrastructure / Working capital	20.7
Balance in Deposit / Current Accounts with Bank for future business development expenses / working capital	40.0
	<hr/> 93.5 <hr/>

- 10) Previous periods' figures have been regrouped, reclassified / rearranged wherever necessary.
- 11) These results were taken on record by the Board of Directors at their Meeting held on 21 March 2005 after a review by the Audit Committee of the Company.

By Order of the Board
for MEGASOFT LIMITED

GV Kumar
Managing Director

Registered Office:

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