



**Megasoft Group**

**Audited Financial Results for the year ended 31 December 2005**

Rs lakhs

	Particulars	Unaudited			Audited	
		9 months ended 30-Sep-2005	Quarter ended 31-Dec-2005	Quarter ended 31-Dec-2004	Year ended 31-Dec-2005	Year ended 31-Dec-2004
1	<b>Revenues</b>	8,263	3,280	2,587	11,543	8,492
2	Personnel costs	4,985	1,704	1,758	6,689	6,245
3	Operating Expenses	1,553	600	395	2,153	1,289
4	(Increase) / Decrease in Inventories	(183)	173	(133)	(10)	(300)
5	<b>Total Expenditure (2+3+4)</b>	<b>6,355</b>	<b>2,477</b>	<b>2,020</b>	<b>8,832</b>	<b>7,234</b>
6	<b>Operating Profit before Interest, Depreciation and Amortisation (1-5)</b>	<b>1,908</b>	<b>803</b>	<b>567</b>	<b>2,711</b>	<b>1,258</b>
7	Financial expenses	130	69	52	199	170
8	Depreciation and Amortisation	284	164	111	448	471
9	<b>Operating Profit after Interest, Depreciation and Amortisation (6-7-8)</b>	<b>1,494</b>	<b>570</b>	<b>404</b>	<b>2,064</b>	<b>617</b>
10	Other Income / (Expenses)	(35)	59	(16)	24	18
11	Inventories write-off	--	--	--	--	(679)
12	Provision / write-off of debtors	--	--	(35)	--	(601)
13	<b>Profit / (Loss) before tax (9+10+11+12)</b>	<b>1459</b>	<b>629</b>	<b>353</b>	<b>2088</b>	<b>(645)</b>
14	Provision for taxation					
	Current Tax	--	(93)	(26)	(93)	(26)
	Fringe benefit Tax	(10)	(6)	--	(16)	--
	Deferred Tax benefit / (expense)	--	33	30	33	30
15	Profit / (Loss) after Tax before prior period adjustments (13+14)	<b>1449</b>	<b>563</b>	<b>357</b>	<b>2012</b>	<b>(641)</b>
16	Less: Prior-period adjustments	--	--	(43)	--	(43)
17	Profit / (Loss) after Tax after prior period adjustments (15+16)	<b>1449</b>	<b>563</b>	<b>314</b>	<b>2012</b>	<b>(684)</b>
18	Less: Minority Interest	--	1	--	1	--
19	Profit / (Loss) after Tax after prior period adjustments and minority interest (18+19)	<b>1449</b>	<b>562</b>	<b>314</b>	<b>2011</b>	<b>(684)</b>
20	Paid-up Equity Share Capital (Rs 10 per share)	2,545	2,545	2,545	2,545	2,545
21	Paid-up Preference Share Capital (Rs 100 per share)	900	900	--	900	--
22	Reserves excluding revaluation reserves				2,203	604
23	Earnings per Share (Rs) (not annualised)					
	Basic	5.70	2.31	1.41	7.57	(2.52)
	Diluted	5.48	1.98	1.36	6.94	(2.43)
<b>Segment-wise revenue, results and capital employed</b>						
	<b>Segment Revenue</b>					
	Consulting	5,657	1,928	1,935	7,585	6,837
	Life Sciences	189	242	72	431	179
	Telecom	2,417	1,110	580	3,527	1,476
	Total	8,263	3,280	2,587	11,543	8,492
	Less: Inter-segment revenue	--	--	--	--	--
	Net Sales Income from Operations	8,263	3,280	2,587	11,543	8,492
	<b>Segment Results</b>					
	Profit / (Loss) before Tax & Interest from each segment					
	Consulting	840	207	328	1,047	673
	Life Sciences	34	39	(7)	73	(34)
	Telecom	975	553	196	1,528	398
	Total	1,849	799	517	2,648	1,037
	Less: Financial expenses	130	69	52	199	170
	Less: Other unallocable expenditure net-off unallocable income	260	101	77	361	232
	Less: Inventories / debtors write-off / provision	--	--	35	--	1,280
	<b>Total Profit before Tax</b>	<b>1,459</b>	<b>629</b>	<b>353</b>	<b>2,088</b>	<b>(645)</b>
	<b>Capital Employed</b> (Segment Assets - Segment Liabilities)					
	Consulting	4,978	4,377	3,070	4,377	3,070
	Life Sciences	557	161	58	161	58
	Telecom	1,693	3,177	1,709	3,177	1,709
	Others-Unallocable	3,080	1,672	--	1,672	--
	Total	10,308	9,387	4,837	9,387	4,837



**Megasoft Limited**

**Audited Financial Results for the year ended 31 December 2005**

Rs lakhs

	Particulars	Unaudited			Audited	
		9 months ended 30-Sep-2005	Quarter ended 31-Dec-2005	Quarter ended 31-Dec-2004	Year ended 31-Dec-2005	Year ended 31-Dec-2004
1	<b>Revenues</b>	<b>3,459</b>	<b>2,072</b>	<b>1,020</b>	<b>5,531</b>	<b>2,883</b>
2	Personnel costs	1,301	398	452	1,699	1,534
3	Operating Expenses	1,188	365	250	1,553	776
4	(Increase) / Decrease in Inventories	(183)	172	(133)	(11)	(300)
5	<b>Total Expenditure (2+3+4)</b>	<b>2,306</b>	<b>935</b>	<b>569</b>	<b>3,241</b>	<b>2,010</b>
6	<b>Operating Profit before Interest, Depreciation and Amortisation (1-5)</b>	<b>1,153</b>	<b>1,137</b>	<b>451</b>	<b>2,290</b>	<b>873</b>
7	Financial expenses	69	35	26	104	107
8	Depreciation and Amortisation	272	82	109	354	454
9	<b>Operating Profit after Interest, Depreciation and Amortisation (6-7-8)</b>	<b>812</b>	<b>1,020</b>	<b>316</b>	<b>1,832</b>	<b>312</b>
10	Other Income / (Expenses)	(31)	25	(78)	(6)	(46)
11	Inventories write-off	--	--	--	--	(679)
12	Provision / write-off of debtors	--	--	2	--	(309)
13	<b>Profit / (Loss) before tax (9+10+11+12)</b>	<b>781</b>	<b>1045</b>	<b>240</b>	<b>1826</b>	<b>(722)</b>
14	Provision for taxation					
	Current Tax	--	(57)	--	(57)	--
	Fringe benefit Tax	(10)	(6)	--	(16)	--
	Deferred Tax benefit / (expense)	--	33	30	33	30
15	Profit / (Loss) after Tax before prior period adjustments (13+14)	<b>771</b>	<b>1015</b>	<b>270</b>	<b>1786</b>	<b>(692)</b>
16	Less: Prior-period adjustments	--	--	(43)	--	(43)
17	Less: Provision for diminution in value of Investments	--	(1)	--	(1)	--
18	Profit / (Loss) after Tax after prior period adjustments (15+16+17)	<b>771</b>	<b>1014</b>	<b>227</b>	<b>1785</b>	<b>(735)</b>
19	Paid-up Equity Share Capital (Rs 10 per share)	2,545	2,545	2,545	2,545	2,545
20	Paid-up Preference Share Capital (Rs 100 per share)	900	900	--	900	--
21	Reserves excluding revaluation reserves				1,979	571
22	Earnings per Share (Rs) (not annualised)					
	Basic	3.03	3.99	1.06	6.68	(2.72)
	Diluted	2.92	3.83	1.02	6.17	(2.62)
23	Aggregate of non-promoters' shareholding					
	Number of Shares	18,465,472	18,791,326	17,344,585	18,791,326	17,344,585
	Percentage of holding (to total holding)	72.6%	73.8%	68.2%	73.8%	68.2%
<b>Segment-wise revenue, results and capital employed</b>						
	<b>Segment Revenue</b>					
	Consulting	1,067	1,099	471	2,166	1,570
	Life Sciences	13	5	--	18	--
	Telecom	2,379	968	549	3,347	1,313
	Total	3,459	2,072	1,020	5,531	2,883
	Less: Inter-segment revenue	--	--	--	--	--
	Net Sales Income from Operations	3,459	2,072	1,020	5,531	2,883
	<b>Segment Results</b>					
	Profit / (Loss) before Tax & Interest from each segment					
	Consulting	12	644	199	656	245
	Life Sciences	4	2	--	6	--
	Telecom	970	534	166	1,504	236
	Total	986	1,180	365	2,166	481
	Less: Financial expenses	69	35	26	104	107
	Less: Other unallocable expenditure net-off unallocable income	136	100	101	236	108
	Less: Inventories / debtors write-off / provision	--	--	(2)	--	988
	<b>Total Profit before Tax</b>	<b>781</b>	<b>1,045</b>	<b>240</b>	<b>1,826</b>	<b>(722)</b>
	<b>Capital Employed</b> (Segment Assets - Segment Liabilities)					
	Consulting	2,770	2,717	2,276	2,717	2,276
	Life Sciences	--	5	--	5	--
	Telecom	2,967	3,177	1,699	3,177	1,699
	Others-Unallocable	3,080	1,672	--	1,672	--
	Total	8,817	7,571	3,975	7,571	3,975



**Notes:**

- 1 In accordance with Accounting Standard 21 "Consolidated Financial Statements" issued by The Institute of Chartered Accountants of India, the consolidated financial statements of Megasoft Limited include the financial statements of all subsidiaries which are more than 50% owned and controlled. All material inter-company transactions and accounts are eliminated on consolidation.
- 2 During the year the Company initiated the process for closure of Megasoft (HK) Limited, a wholly owned subsidiary at Hong Kong, wherein there were no operations during the last two years.
- 3 Other income / (expenses) include Net Exchange gain / (loss) during the period.
- 4 Provision for taxation has been made in accordance with Section 115JB of the Income Tax Act, 1961.
- 5 No investor complaints were pending either at the beginning or at the end of the quarter. None were received during the quarter.
- 6 The Company issued / 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:
  - (i) 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 to Non-Promoters
  - (ii) 7,00,000 Equity Warrants of Rs 50 each to Mr Ravindra Sannareddy, Promoter (amount received Rs 35 lakhs, 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

The Company raised an amount of Rs 935 lakhs out of the above mentioned issue of securities on a preferential basis and utilised the same in the manner following:

	Rs lakhs
Repayment of debt	475
Business development / infrastructure / Working capital	460
	935

- 7 The Company issued / allotted 8,000 1.5% Foreign Currency Convertible Bonds ("FCCB") of USD 1,000 each on preferential basis on 16 September 2005 pursuant to the approval of the shareholders of the Company at the Extra-ordinary General Meeting held on 26 August 2005 and the in-principle listing approval from BSE, aggregating to USD 8 million. The FCCB are convertible within three years i.e. 17 September 2008 at an initial conversion price of Rs 115 per equity share. The FCCB have been listed on Luxembourg Stock Exchange on 22 September 2005. The proceeds from the issue of FCCB have been utilised in the manner following:

	USD 000s
Strategic Investments in Subsidiary companies (Megasoft Consultants, Inc., US ("MCI") & Beam)	3,307
Loan to subsidiary companies (MCI & Beam)	539
Capital Expenditure	108
FCCB issue expenses	338
	4,292
Balance in short term deposit accounts with Banks overseas	3,708
	8,000

On 23 January 2006 the Company converted FCCB aggregating to USD 2 million into 776,869 equity shares at Rs 115 per share on receipt of the Conversion Notice dated 10 January 2006. Subsequent to this the Company's paid-up equity share capital stands increased to Rs 262,252,690 constituting 26,225,269 equity shares of Rs 10 each fully paid.

- 8 The Company acquired a 64% stake in Beam AG, Germany ("Beam") by investing € 252,992 and Beam has become a subsidiary w.e.f. 1 October 2005. Additionally, Company has provided a loan of € 200,730 for their requirements.
- 9 Previous years' figures have been regrouped, reclassified / rearranged wherever necessary to conform to current year's presentation.
- 10 These results were taken on record by the Board of Directors at their Meeting held on 22 February 2006 after a review by the Audit Committee of the Company.

By Order of the Board  
for MEGASOFT LIMITED

**GV Kumar**  
Managing Director

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