


MEGASOFT LIMITED

No.85, Kutchery Road, Mylapore, Chennai 600004

Unaudited Consolidated Financial Results for the 2nd Quarter and Half year ended 30 June 2006
Rs lakhs

	Particulars	Unaudited				Audited
		Quarter ended		Half year ended		Year ended
		30/06/2006	30/06/2005	30/06/2006	30/06/2005	31/12/2005
1	Revenues	3,772	2,661	7,361	5,287	11,543
2	Personnel costs	2,526	1,715	4,524	3,208	6,689
3	Operating Expenses	379	382	1,005	1,039	2,153
4	(Increase) / Decrease in Inventories	--	(70)	109	(121)	(10)
5	Total Expenditure (2+3+4)	2,905	2,027	5,638	4,126	8,832
6	Operating Profit before Interest, Depreciation and Amortisation (1-5)	867	634	1,723	1,161	2,711
7	Financial expenses	33	37	74	70	199
8	Depreciation and Amortisation	102	84	204	192	448
9	Operating Profit after Interest, Depreciation and Amortisation (6-7-8)	732	513	1,445	899	2,064
10	Other Income / (Expenses)	75	(40)	108	(53)	24
11	Profit / (Loss) before tax (9+10)	807	473	1,553	846	2,088
12	Provision for taxation					
	Current Tax	--	--	--	--	93
	Fringe benefit Tax	--	10	--	10	16
	Deferred Tax benefit / (expense)	--	--	--	--	(33)
13	Profit / (Loss) after Tax before extra ordinary items (11-12)	807	463	1,553	836	2,012
14	Less: Minority Interest	1	--	(4)	--	1
15	Profit / (Loss) after Tax after extra ordinary items (13-14)	806	463	1,557	836	2,011
16	Paid-up Equity Share Capital (Rs.10 per share)	3,088	2,545	3,088	2,545	2,545
17	Paid-up Preference Share Capital (Rs 100 per share)	--	900	--	900	900
18	Reserves excluding revaluation reserves					2,203
19	Earnings per Share (Rs) (not annualised)					
	Basic	2.61	1.82	5.03	3.29	7.57
	Diluted	2.57	1.75	4.96	3.16	6.94
20	Aggregate of public shareholding					
	Number of Shares	24,162,795	18,265,485	24,162,795	18,265,485	18,791,326
	Percentage of holding (to total holding)	78.2%	71.8%	78.2%	71.8%	73.8%

Segment-wise revenue, results and capital employed

Segment Revenue					
Consulting	2,143	1,751	4,172	3,780	7,585
Life Sciences	246	132	547	153	431
Telecom	1,383	778	2,642	1,354	3,527
Total	3,772	2,661	7,361	5,287	11,543
Less: Inter-segment revenue	--	--	--	--	--
Net Sales Income from Operations	3,772	2,661	7,361	5,287	11,543
Segment Results					
Profit / (Loss) before Tax & Interest from each segment					
Consulting	223	270	493	562	1,047
Life Sciences	25	22	60	26	73
Telecom	562	359	1,125	532	1,528
Total	810	651	1,678	1,120	2,648
Less: Financial expenses	33	37	74	70	199
Less: Other unallocable expenditure net-off unallocable income	(30)	141	51	204	361
Total Profit before Tax	807	473	1,553	846	2,088
Capital Employed					
(Segment Assets - Segment Liabilities)					
Consulting	5,084	3,693	5,084	3,693	4,377
Life Sciences	350	653	350	653	161
Telecom	4,573	1,672	4,573	1,672	3,177
Others-Unallocable	1,359	--	1,359	--	1,672
Total	11,366	6,018	11,366	6,018	9,387


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	Particulars	Unaudited				Audited
		Quarter ended		Half year ended		Year ended
		30/06/2006	30/06/2005	30/06/2006	30/06/2005	31/12/2005
1	Revenues	1,390	990	2,587	2,108	5,531
2	Personnel costs	591	429	1,192	876	1,699
3	Operating Expenses	204	239	580	776	1,553
4	(Increase) / Decrease in Inventories	--	(70)	109	(121)	(11)
5	Total Expenditure (2+3+4)	795	598	1,881	1,531	3,241
6	Operating Profit before Interest, Depreciation and Amortisation (1-5)	595	392	706	577	2,290
7	Financial expenses	29	18	52	42	104
8	Depreciation and Amortisation	78	80	158	183	354
9	Operating Profit after Interest, Depreciation and Amortisation (6-7-8)	488	294	496	352	1,832
10	Other Income / (Expenses)	72	(40)	104	(52)	(6)
11	Profit / (Loss) before tax (9+10)	560	254	600	300	1,826
12	Provision for taxation					
	Current Tax	--	--	--	--	57
	Fringe benefit Tax	--	10	--	10	16
	Deferred Tax benefit / (expense)	--	--	--	--	(33)
13	Profit / (Loss) after Tax before extra ordinary items (11-12)	560	244	600	290	1,786
14	Less: Provision for diminution in value of Investments	--	--	--	--	1
15	Profit / (Loss) after Tax after extra ordinary items (13-14)	560	244	600	290	1,785
16	Paid-up Equity Share Capital (Rs.10 per share)	3,088	2,545	3,088	2,545	2,545
17	Paid-up Preference Share Capital (Rs 100 per share)	--	900	--	900	900
18	Reserves excluding revaluation reserves					1,979
19	Earnings per Share (Rs) (not annualised)					
	Basic	1.82	0.96	1.94	1.13	6.68
	Diluted	1.80	0.92	1.96	1.09	6.17
20	Aggregate of public shareholding					
	Number of Shares	24,162,795	18,265,485	24,162,795	18,265,485	18,791,326
	Percentage of holding (to total holding)	78.2%	71.8%	78.2%	71.8%	73.8%

Segment-wise revenue, results and capital employed

Segment Revenue					
Consulting	316	223	555	791	2,166
Life Sciences	--	--	31	--	18
Telecom	1,074	767	2,001	1,317	3,347
Total	1,390	990	2,587	2,108	5,531
Less: Inter-segment revenue	--	--	--	--	--
Net Sales Income from Operations	1,390	990	2,587	2,108	5,531
Segment Results					
Profit / (Loss) before Tax & Interest from each segment					
Consulting	(5)	(24)	(28)	(72)	656
Life Sciences	--	--	12	--	6
Telecom	544	374	647	523	1,504
Total	539	350	631	451	2,166
Less: Financial expenses	29	18	52	42	104
Less: Other unallocable expenditure net-off unallocable income	(50)	78	(21)	109	236
Total Profit before Tax	560	254	600	300	1,826
Capital Employed					
(Segment Assets - Segment Liabilities)					
Consulting	3,013	2,339	3,013	2,339	2,717
Life Sciences	31	--	31	--	5
Telecom	4,187	2,346	4,187	2,346	3,177
Others-Unallocable	1,359	--	1,359	--	1,672
Total	8,590	4,685	8,590	4,685	7,571

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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 Deferred tax in accordance with AS-22 (Accounting for Taxes on Income) and Provision for taxation, if any, shall be made at the end of the current financial year.
- 3 No investor complaints were pending either at the beginning or at the end of the quarter. None were received during the quarter.
- 4 The Company issued equity shares of Rs 10 each during the current financial year on various dates as detailed below:

	Issued on	No of equity shares
On conversion of FCCB aggregating to USD 2 million	23/01/2006	776,869
On conversion of 900,000 10% Convertible Redeemable Preference Shares of Rs 100 each	27/02/2006	1,800,000
On exercise of stock options under ESOP (XIUS) 2004	08/03/2006	1,328,125
On conversion of FCCB aggregating to USD 2 million	30/03/2006	773,391
On exercise of stock options under ESOP 2001	26/04/2006	56,000
On conversion of 700,000 warrants of Rs 50 each	16/05/2006	700,000
On conversion of FCCB aggregating to USD 2 million	14/07/2006	798,608
		<u>6,232,993</u>
Outstanding equity shares at the beginning of the year	01/01/2006	25,448,400
Total equity shares outstanding at the end of the period	30/06/2006	<u>31,681,393</u>

- 5 The Company issued / allotted 8,000 1.5% Foreign Currency Convertible Bonds ("FCCB") of USD 1,000 each on 16 September 2005 aggregating to USD 8 million and are convertible into equity shares on or before 17 September 2008 at 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 investment in subsidiary companies	3,307
Loan to subsidiary companies	1,239
Capital Expenditure	108
FCCB Interest	45
FCCB issue expenses	<u>338</u>
	5,037
Balance in short term deposit accounts with Banks overseas	<u>2,963</u>
	<u>8,000</u>

- 6 The Company issued / allotted 7,00,000 Equity Warrants of Rs 50 each to a Promoter Director (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, on preferential basis on 28 February 2005. The balance of Rs 315 lakhs was received during May 2006 on conversion of warrants into equity shares. These proceeds have been utilised for business development / working capital.
- 7 Previous years' figures have been regrouped, reclassified / rearranged wherever necessary.
- 8 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.
- 9 These results were taken on record by the Board of Directors at their Meeting held on 25 July 2006 after a review by the Audit Committee of the Company.

By Order of the Board
for MEGASOFT LIMITED

Place: Chennai
Date: 25 July 2006

GV Kumar
Managing Director