

**MEGASOFT LIMITED**

No.85, Kutchery Road, Mylapore, Chennai 600004

**Audited Consolidated Financial Results for the year ended 31 December 2006**
*Rs in lakhs*

	Particulars	Unaudited			Audited	
		9 months ended	Quarter ended	Quarter ended	Year ended	Year ended
		30-Sep-2006	31-Dec-2006	31-Dec-2005	31-Dec-2006	31-Dec-2005
1	<b>Revenues</b>	<b>11,653</b>	<b>6,180</b>	<b>3,280</b>	<b>17,833</b>	<b>11,543</b>
2	Personnel costs	6,737	3,014	1,704	9,751	6,689
3	Operating Expenses	2,058	1,056	600	3,114	2,153
4	(Increase) / Decrease in Inventories	109	235	173	344	(10)
5	<b>Total Expenditure (2+3+4)</b>	<b>8,904</b>	<b>4,305</b>	<b>2,477</b>	<b>13,209</b>	<b>8,832</b>
6	<b>Operating Profit before Interest, Depreciation and Amortisation (1-5)</b>	<b>2,749</b>	<b>1,875</b>	<b>803</b>	<b>4,624</b>	<b>2,711</b>
7	Financial expenses	134	69	69	203	199
8	Depreciation and Amortisation	333	505	164	838	448
9	<b>Operating Profit after Interest, Depreciation and Amortisation (6-7-8)</b>	<b>2,282</b>	<b>1,301</b>	<b>570</b>	<b>3,583</b>	<b>2,064</b>
10	Other Income / (Expenses)	220	(286)	59	(66)	24
11	<b>Profit / (Loss) before tax (9+10)</b>	<b>2,502</b>	<b>1,015</b>	<b>629</b>	<b>3,517</b>	<b>2,088</b>
12	Provision for taxation					
	Current Tax	--	107	93	107	93
	Fringe benefit Tax	8	15	6	23	16
	Deferred Tax benefit / (expense)	--	123	(33)	123	(33)
13	<b>Profit / (Loss) after Tax (11-12)</b>	<b>2,494</b>	<b>770</b>	<b>563</b>	<b>3,264</b>	<b>2,012</b>
14	Less: Minority Interest	(25)	(8)	1	(33)	1
15	<b>Profit / (Loss) after Tax after minority interest (13-14)</b>	<b>2,519</b>	<b>778</b>	<b>562</b>	<b>3,297</b>	<b>2,011</b>
16	Paid-up Equity Share Capital (Rs 10 per share)	3,168	3,177	2,545	3,177	2,545
17	Equity shares to be issued on amalgamation	--	1,248	--	1,248	--
18	Paid-up Preference Share Capital (Rs 100 per share)	--	--	900	--	900
19	Reserves excluding revaluation reserves				24,409	2,203
20	Earnings per Share (Rs) (not annualised)					
	Basic	7.87	2.16	2.31	9.30	7.57
	Diluted	7.81	2.14	1.98	9.22	6.94

**Segment-wise revenue, results and capital employed**

<b>Segment Revenue</b>					
Consulting	7,022	3,870	2,170	10,892	8,016
Telecom	4,631	2,310	1,110	6,941	3,527
Total	11,653	6,180	3,280	17,833	11,543
Less: Inter-segment revenue	--	--	--	--	--
Net Sales Income from Operations	11,653	6,180	3,280	17,833	11,543
<b>Segment Results</b>					
Profit / (Loss) before Tax & Interest from each segment					
Consulting	796	306	246	1,102	1,120
Telecom	1,909	1,278	553	3,187	1,528
Total	2,705	1,584	799	4,289	2,648
Less: Financial expenses	134	69	69	203	199
Less: Other unallocable expenditure net-off unallocable income	69	500	101	569	361
<b>Total Profit before Tax</b>	<b>2,502</b>	<b>1,015</b>	<b>629</b>	<b>3,517</b>	<b>2,088</b>
<b>Capital Employed</b>					
(Segment Assets - Segment Liabilities)					
Consulting	5,606	23,051	4,538	23,051	4,538
Telecom	5,830	7,164	3,177	7,164	3,177
Others-Unallocable	1,359	1,297	1,672	1,297	1,672
Total	12,795	31,512	9,387	31,512	9,387

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**Audited Financial Results for the year ended 31 December 2006**
*Rs in lakhs*

	Particulars	Unaudited			Audited	
		9 months ended	Quarter ended	Quarter ended	Year ended	Year ended
		30-Sep-2006	31-Dec-2006	31-Dec-2005	31-Dec-2006	31-Dec-2005
1	<b>Revenues</b>	<b>4,885</b>	<b>5,533</b>	<b>2,072</b>	<b>10,418</b>	<b>5,531</b>
2	Personnel costs	1,826	1,876	398	3,702	1,699
3	Operating Expenses	1,193	721	365	1,914	1,553
4	(Increase) / Decrease in Inventories	109	211	172	320	(11)
5	<b>Total Expenditure (2+3+4)</b>	<b>3,128</b>	<b>2,808</b>	<b>935</b>	<b>5,936</b>	<b>3,241</b>
6	<b>Operating Profit before Interest, Depreciation and Amortisation (1-5)</b>	<b>1,757</b>	<b>2,725</b>	<b>1,137</b>	<b>4,482</b>	<b>2,290</b>
7	Financial expenses	77	41	35	118	104
8	Depreciation and Amortisation	260	489	82	749	354
9	<b>Operating Profit after Interest, Depreciation and Amortisation (6-7-8)</b>	<b>1,420</b>	<b>2,195</b>	<b>1,020</b>	<b>3,615</b>	<b>1,832</b>
10	Other Income / (Expenses)	210	(362)	25	(152)	(6)
11	<b>Profit / (Loss) before tax (9+10)</b>	<b>1,630</b>	<b>1,833</b>	<b>1,045</b>	<b>3,463</b>	<b>1,826</b>
12	Provision for taxation					
	Current Tax	--	50	57	50	57
	Fringe benefit Tax	8	15	6	23	16
	Deferred Tax benefit / (expense)	--	123	(33)	123	(33)
13	<b>Profit / (Loss) after Tax (11-12)</b>	<b>1,622</b>	<b>1,645</b>	<b>1,015</b>	<b>3,267</b>	<b>1,786</b>
14	Less: Provision for diminution in value of Investments	--	--	1	--	1
15	<b>Profit / (Loss) after Tax after other adjustments (13-14)</b>	<b>1,622</b>	<b>1,645</b>	<b>1,014</b>	<b>3,267</b>	<b>1,785</b>
16	Paid-up Equity Share Capital (Rs 10 per share)	3,168	3,177	2,545	3,177	2,545
	Equity shares to be issued on amalgamation	--	1,248	--	1,248	--
17	Paid-up Preference Share Capital (Rs 100 per share)	--	--	900	--	900
18	Reserves excluding revaluation reserves				24,198	1,979
19	Earnings per Share (Rs) (not annualised)					
	Basic	5.12	4.66	3.99	9.31	6.68
	Diluted	5.11	4.59	3.83	9.23	6.17
20	Aggregate of non-promoters' shareholding					
	Number of Shares	24,966,483	25,053,983	18,791,326	25,053,983	18,791,326
	Percentage of holding (to total holding)	78.8%	78.9%	73.8%	78.9%	73.8%

**Segment-wise revenue, results and capital employed**

<b>Segment Revenue</b>					
Consulting	1,046	3,237	1,104	4,283	2,184
Telecom	3,839	2,296	968	6,135	3,347
Total	4,885	5,533	2,072	10,418	5,531
Less: Inter-segment revenue	--	--	--	--	--
Net Sales Income from Operations	4,885	5,533	2,072	10,418	5,531
<b>Segment Results</b>					
Profit / (Loss) before Tax & Interest from each segment					
Consulting	123	704	646	827	662
Telecom	1,502	1,652	534	3,154	1,504
Total	1,625	2,356	1,180	3,981	2,166
Less: Financial expenses	77	41	35	118	104
Less: Other unallocable expenditure net-off unallocable income	(82)	482	100	400	236
<b>Total Profit before Tax</b>	<b>1,630</b>	<b>1,833</b>	<b>1,045</b>	<b>3,463</b>	<b>1,826</b>
<b>Capital Employed</b>					
(Segment Assets - Segment Liabilities)					
Consulting	3,250	22,520	2,722	22,520	2,722
Telecom	5,309	5,758	3,177	5,758	3,177
Others-Unallocable	1,359	1,297	1,672	1,297	1,672
Total	9,918	29,575	7,571	29,575	7,571

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### Notes:

- 1 The Board of Directors of the Company have recommended a dividend of Rupee One per share (10%) subject to the approval of the shareholders of the Company.
- 2 Amalgamation of VisualSoft Technologies Limited ("VisualSoft") with the Company:
  - (a) In terms of the Scheme of Amalgamation ("Scheme") sanctioned by the order dated 27 March 2007 of the High Court of Judicature at Madras and the order dated 22 March 2007 of the High Court of Judicature of Andhra Pradesh at Hyderabad, VisualSoft has been amalgamated with the Company w.e.f. 1 October 2006. The amalgamation has been accounted for under the "purchase method" as prescribed by Accounting Standard, AS-14, "Accounting for Amalgamation" issued by The Institute of Chartered Accountants of India.
  - (b) The assets, liabilities, rights and obligations of VisualSoft have been vested with the Company w.e.f. from 1 October 2006.
  - (c) 12,484,800 Equity Shares of Rs 10 each are to be issued as fully paid-up in exchange of 19,975,680 equity shares of Rs 10 each to the shareholders of VisualSoft, without payment being received in cash, in the ratio of 8:5.
  - (d) Excess of fair value of net assets taken over by the Company over the paid up value of equity shares to be issued and allotted has been dealt with as revenue reserve in terms of the Scheme.
- 3 Consequent to the amalgamation of VisualSoft:
  - (a) Earnings per share (EPS) has been computed on post amalgamated capital on pro-rata basis.
  - (b) Segmental revenues and profits have been realigned.
- 4 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.
- 5 Provision for taxation has been made in accordance with Section 115JB of the Income Tax Act, 1961.
- 6 No investor complaints were pending either at the beginning or at the end of the quarter. One complaint was received and resolved during the quarter.
- 7 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 FCCB aggregating to USD 2 million	30/03/2006	773,391
On conversion of FCCB aggregating to USD 2 million	14/07/2006	798,608
On conversion of 900,000 10% Convertible Redeemable Preference Shares of Rs 100 each	27/02/2006	1,800,000
On conversion of 700,000 warrants of Rs 50 each	16/05/2006	700,000
On exercise of stock options under ESOP 2001	26/04/2006	56,000
On exercise of stock options under ESOP (XIUS) 2004	08/03/2006	1,328,125
On exercise of stock options under ESOP (XIUS) 2004	31/10/2006	87,500
		<u>6,320,493</u>
Outstanding equity shares at the beginning of the year		<u>25,448,400</u>
Total equity shares outstanding at the end of the year		<u><u>31,768,893</u></u>

- 8 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	60
FCCB issue expenses	<u>346</u>
	5,060
Balance in short term deposit accounts with Banks overseas	<u>2,940</u>
	<u><u>8,000</u></u>

- 9 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.
- 10 Previous years' figures have been regrouped, reclassified / rearranged wherever necessary to conform to current year's presentation.
- 11 These results were taken on record by the Board of Directors at their Meeting held on 29 March 2007 after a review by the Audit Committee of the Company.

By Order of the Board  
for MEGASOFT LIMITED

GV Kumar  
Managing Director