

MEGASOFT LIMITED

No.85, Kutchery Road, Mylapore, Chennai 600004


Unaudited Consolidated Financial Results for the 2nd Quarter and Half year ended 30 June 2007
Rs lakhs

	Particulars	Unaudited				Audited
		Quarter ended		Half year ended		Year ended
		30/06/2007	30/06/2006	30/06/2007	30/06/2006	31/12/2006
1	Revenues	6,011	3,772	12,516	7,361	17,833
2	Personnel costs	3,320	2,526	6,989	4,524	9,751
3	Operating Expenses	797	379	1,630	1,005	3,114
4	(Increase) / Decrease in Inventories	--	--	--	109	344
5	Total Expenditure (2+3+4)	4,117	2,905	8,619	5,638	13,209
6	Operating Profit before Interest, Depreciation and Amortisation (1-5)	1,894	867	3,897	1,723	4,624
7	Financial expenses	81	33	150	74	203
8	Depreciation and Amortisation	484	102	949	204	838
9	Operating Profit after Interest, Depreciation and Amortisation (6-7-8)	1,329	732	2,798	1,445	3,583
10	Other Income / (Expenses)	(349)	75	(457)	108	(66)
11	Profit before tax (9+10)	980	807	2,341	1,553	3,517
12	Provision for taxation					
	Current Tax	30	--	80	--	107
	Fringe benefit Tax	5	--	10	--	23
	Deferred Tax benefit / (expense)	--	--	97	--	123
13	Profit after Tax before extra ordinary items (11-12)	945	807	2,154	1,553	3,264
14	Less: Minority Interest	--	1	--	(4)	(33)
15	Profit after Tax after extra ordinary items (13-14)	945	806	2,154	1,557	3,297
16	Paid-up Equity Share Capital (Rs.10 per share)	4,427	3,088	4,427	3,088	3,177
17	Equity shares to be issued on amalgamation					1,248
18	Reserves excluding revaluation reserves					24,409
19	Earnings per Share (Rs) (not annualised)					
	Basic	2.13	2.61	4.87	5.03	9.31
	Diluted	2.11	2.57	4.84	4.96	9.22
20	Aggregate of public shareholding					
	Number of Shares	36,935,030	24,162,795	36,935,030	24,162,795	25,053,983
	Percentage of holding (to total holding)	83.44%	78.24%	83.44%	78.24%	78.86%

Segment-wise revenue, results and capital employed

Segment Revenue					
Consulting	3,562	2,389	7,703	4,719	10,892
Telecom	2,449	1,383	4,813	2,642	6,941
Total	6,011	3,772	12,516	7,361	17,833
Less: Inter-segment revenue	--	--	--	--	--
Net Sales Income from Operations	6,011	3,772	12,516	7,361	17,833
Segment Results					
Profit / (Loss) before Tax & Interest from each segment					
Consulting	192	248	537	553	1,102
Telecom	1,329	562	2,583	1,125	3,187
Total	1,521	810	3,120	1,678	4,289
Less: Financial expenses	81	33	150	74	203
Less: Other unallocable expenditure net-off unallocable income	461	(30)	628	51	569
Total Profit before Tax	979	807	2,342	1,553	3,517
Capital Employed (See Note 10)					

MEGASOFT LIMITED

No.85, Kutchery Road, Mylapore, Chennai 600004


Unaudited Financial Results for the 2nd Quarter and Half year ended 30 June 2007
Rs lakhs

	Particulars	Unaudited				Audited
		Quarter ended		Half year ended		Year ended
		30/06/2007	30/06/2006	30/06/2007	30/06/2006	31/12/2006
1	Revenues	4,095	1,390	8,802	2,587	10,418
2	Personnel costs	1,686	591	3,824	1,192	3,702
3	Operating Expenses	480	204	1,046	580	1,914
4	(Increase) / Decrease in Inventories	--	--	--	109	320
5	Total Expenditure (2+3+4)	2,166	795	4,870	1,881	5,936
6	Operating Profit before Interest, Depreciation and Amortisation (1-5)	1,929	595	3,932	706	4,482
7	Financial expenses	61	29	113	52	118
8	Depreciation and Amortisation	474	78	928	158	749
9	Operating Profit after Interest, Depreciation and Amortisation (6-7-8)	1,394	488	2,891	496	3,615
10	Other Income / (Expenses)	(352)	72	(461)	104	(152)
11	Profit before tax (9+10)	1,042	560	2,430	600	3,463
12	Provision for taxation					
	Current Tax	30	--	80	--	50
	Fringe benefit Tax	5	--	10	--	23
	Deferred Tax benefit / (expense)	--	--	97	--	123
13	Profit after Tax (11-12)	1,007	560	2,243	600	3,267
14	Paid-up Equity Share Capital (Rs.10 per share)	4,427	3,088	4,427	3,088	3,177
15	Equity shares to be issued on amalgamation	--	--	--	--	1,248
16	Reserves excluding revaluation reserves					24,198
17	Earnings per Share (Rs) (not annualised)					
	Basic	2.27	1.82	5.07	1.94	9.31
	Diluted	2.25	1.80	5.03	1.96	9.23
18	Aggregate of public shareholding					
	Number of Shares	36,935,030	24,162,795	36,935,030	24,162,795	25,053,983
	Percentage of holding (to total holding)	83.44%	78.24%	83.44%	78.24%	78.86%

Segment-wise revenue, results and capital employed

Segment Revenue					
Consulting	1,646	316	3,989	586	4,283
Telecom	2,449	1,074	4,813	2,001	6,135
Total	4,095	1,390	8,802	2,587	10,418
Less: Inter-segment revenue	--	--	--	--	--
Net Sales Income from Operations	4,095	1,390	8,802	2,587	10,418
Segment Results					
Profit / (Loss) before Tax & Interest from each segment					
Consulting	153	(5)	461	(16)	827
Telecom	1,352	544	2,639	647	3,154
Total	1,505	539	3,100	631	3,981
Less: Financial expenses	61	29	113	52	118
Less: Other unallocable expenditure net-off unallocable income	403	(50)	557	(21)	400
Total Profit before Tax	1,041	560	2,430	600	3,463
Capital Employed (See Note 10)					

MEGASOFT LIMITED

No.85, Kutchery Road, Mylapore, Chennai 600004



Notes:

- 1 The securities of the company have been listed on the National Stock Exchange of India Limited ("NSE") on 19 July 2007.
- 2 In July 2007, the company entered into an agreement with the management of "Boston Communications Group, Inc." ("bcgi"), a Boston, USA, based Nasdaq listed company, to acquire 100% of the bcgi's shares through a tender offer for a total consideration of around USD 65 million. This acquisition is subject to bcgi's shareholders acceptance of the offer and other statutory approvals.
- 3 In June 2007, the company invested USD 3 million in Keystone Wireless, LLC as part of its strategic plans for expanding its presence in the US market.
- 4 The Company issued 2,250,000 warrants of Rs 128 each (including premium of Rs 118) to a promoter on preferential basis on 22 June 2007. The warrants are convertible into equivalent number of equity shares of the face value of Rs 10 each within a period of eighteen months. The amount of Rs 288 lakhs, being 10% of the face value of warrants, received in terms of the the issue is used as margin money for long term working capital requirements of the company.
- 5 The Company issued 1,350,000 options with exercise price of Rs 128 each (including premium of Rs 118) under "ESOS 2007" to the Managing Director on 7 July 2007. These options are convertible into equivalent number of equity shares of Rs 10 each in three equal instalments over a period of three years.
- 6 The Company issued 287,000 options with exercise price of Rs 120 each (including premium of Rs 110) under "ASOP 2004" to the employees of the company on 7 July 2007. These options are convertible into equivalent number of equity shares of Rs 10 each over a period of two / three years.
- 7 Consequent to the amalgamation, the company reconstituted the Board on 28 April 2007 by inducting Prof S Sadagopan, Mr Anil K Sood and Mr J Srihari Raju (who were directors on the Board of erstwhile Visualsoft) as Additional Directors. Mr Ben Hu and Mr Jan Erik Boers resigned as Directors due to their personal reasons.
- 8 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.
- 9 The financial results of the Company and the Group for the quarter ended 30 June 2007 include the financials of erstwhile VisualSoft Technologies Limited ("VisualSoft"), amalgamated w.e.f. 1 October 2006, for this reporting period.
- 10 Fixed assets used in the Company's business or liabilities contracted have not been identified to any of the primary reportable segments, as they are used interchangeably between segments consequent to the amalgamation of VisualSoft and realignment of business divisions. Accordingly, no disclosure relating to total segment assets and liabilities have been made.
- 11 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 exercise of stock options under ESOP 2001	29/03/2007	10,925
On exercise of stock options under ESOP 2001	28/04/2007	2,675
Shares issued to VisualSoft shareholders in terms of the duly approved scheme of amalgamation	17/05/2007	12,484,800
		<u>12,498,400</u>
Outstanding equity shares at the beginning of the year	01/01/2007	31,768,893
Total equity shares outstanding at the end of the period	30/06/2007	<u>44,267,293</u>

- 12 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. FCCB have been listed on Luxembourg Stock Exchange on 22 September 2005. FCCB aggregating to USD 6 million have been converted into equity shares during 2006 on exercise of the conversion option. The proceeds from the issue of FCCB have been utilised in the manner following:

	USD 000s
Strategic investment in subsidiary / other companies	6,247
Loan to subsidiary companies	1,239
Capital Expenditure	108
FCCB Interest	60
FCCB issue expenses	346
	<u>8,000</u>

- 13 No investor complaints were pending either at the beginning or at the end of the quarter. None were received during the quarter.
- 14 Previous years' figures have been regrouped, reclassified / rearranged wherever necessary.
- 15 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.
- 16 These results were taken on record by the Board of Directors at their Meeting held on 30 July 2007 after a review by the Audit Committee of the Company.

By Order of the Board
for MEGASOFT LIMITED

Place: Hyderabad
Date: 30 July 2007

GV Kumar
Managing Director