

**MEGASOFT LIMITED**

No.85, Kutchery Road, Mylapore, Chennai 600004


**Unaudited Consolidated Financial Results for the 3rd Quarter and 9-month period ended 30 September 2007**
**Rs lakhs**

	Particulars	Unaudited				Audited
		Quarter ended		9-month period ended		Year ended
		30/09/2007	30/09/2006	30/09/2007	30/09/2006	31/12/2006
<b>1</b>	<b>Revenues</b>	<b>7,681</b>	<b>4,292</b>	<b>20,197</b>	<b>11,653</b>	<b>17,833</b>
2	Personnel costs	3,939	2,213	10,928	6,737	9,751
3	Operating Expenses	1,098	1,053	2,728	2,058	3,114
4	(Increase) / Decrease in Inventories	--	--	--	109	344
<b>5</b>	<b>Total Expenditure (2+3+4)</b>	<b>5,037</b>	<b>3,266</b>	<b>13,656</b>	<b>8,904</b>	<b>13,209</b>
<b>6</b>	<b>Operating Profit before Interest, Depreciation and Amortisation (1-5)</b>	<b>2,644</b>	<b>1,026</b>	<b>6,541</b>	<b>2,749</b>	<b>4,624</b>
7	Financial expenses	122	60	272	134	203
8	Depreciation and Amortisation	585	129	1,534	333	838
<b>9</b>	<b>Operating Profit after Interest, Depreciation and Amortisation (6-7-8)</b>	<b>1,937</b>	<b>837</b>	<b>4,735</b>	<b>2,282</b>	<b>3,583</b>
10	Other Income / (Expenses)	(385)	112	(842)	220	(66)
<b>11</b>	<b>Profit before tax (9+10)</b>	<b>1,552</b>	<b>949</b>	<b>3,893</b>	<b>2,502</b>	<b>3,517</b>
12	Provision for taxation					
	Current Tax	20	--	100	--	107
	Fringe benefit Tax	12	8	22	8	23
	Deferred Tax benefit / (expense)	(109)	--	(12)	--	123
<b>13</b>	<b>Profit after Tax before extra ordinary items (11-12)</b>	<b>1,629</b>	<b>941</b>	<b>3,783</b>	<b>2,494</b>	<b>3,264</b>
14	Less: Minority Interest	--	(21)	--	(25)	(33)
<b>15</b>	<b>Profit after Tax after extra ordinary items (13-14)</b>	<b>1,629</b>	<b>962</b>	<b>3,783</b>	<b>2,519</b>	<b>3,297</b>
16	Paid-up Equity Share Capital (Rs.10 per share)	4,427	3,168	4,427	3,168	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	3.68	2.97	8.55	7.87	9.31
	Diluted	3.64	2.94	8.46	7.81	9.22
20	Aggregate of public shareholding					
	Number of Shares	37,233,925	24,966,483	37,233,925	24,966,483	25,053,983
	Percentage of holding (to total holding)	84.11%	78.80%	84.11%	78.80%	78.86%

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

<b>Segment Revenue</b>					
Consulting	3,706	2,303	11,409	7,022	10,892
Telecom	3,975	1,989	8,788	4,631	6,941
<b>Total</b>	<b>7,681</b>	<b>4,292</b>	<b>20,197</b>	<b>11,653</b>	<b>17,833</b>
Less: Inter-segment revenue	--	--	--	--	--
Net Sales Income from Operations	7,681	4,292	20,197	11,653	17,833
<b>Segment Results</b>					
Profit before Tax & Interest from each segment					
Consulting	855	309	2,230	988	1,745
Telecom	1,950	847	4,644	2,050	3,383
<b>Total</b>	<b>2,805</b>	<b>1,156</b>	<b>6,874</b>	<b>3,038</b>	<b>5,128</b>
Less: Financial expenses	122	60	272	134	203
Less: Depreciation and Amortisation	585	129	1,534	333	838
Less: Other unallocable expenditure net-off unallocable income	546	18	1,175	69	570
<b>Total Profit before Tax</b>	<b>1,552</b>	<b>949</b>	<b>3,893</b>	<b>2,502</b>	<b>3,517</b>

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**Rs lakhs**

	Particulars	Unaudited				Audited
		Quarter ended		9-month period ended		Year ended
		30/09/2007	30/09/2006	30/09/2007	30/09/2006	31/12/2006
<b>1</b>	<b>Revenues</b>	<b>2,122</b>	<b>2,298</b>	<b>10,924</b>	<b>4,885</b>	<b>10,418</b>
2	Personnel costs	795	634	4,619	1,826	3,702
3	Operating Expenses	259	613	1,305	1,193	1,914
4	(Increase) / Decrease in Inventories	--	--	--	109	320
<b>5</b>	<b>Total Expenditure (2+3+4)</b>	<b>1,054</b>	<b>1,247</b>	<b>5,924</b>	<b>3,128</b>	<b>5,936</b>
<b>6</b>	<b>Operating Profit before Interest, Depreciation and Amortisation (1-5)</b>	<b>1,068</b>	<b>1,051</b>	<b>5,000</b>	<b>1,757</b>	<b>4,482</b>
7	Financial expenses	117	25	230	77	118
8	Depreciation and Amortisation	486	102	1,414	260	749
<b>9</b>	<b>Operating Profit after Interest, Depreciation and Amortisation (6-7-8)</b>	<b>465</b>	<b>924</b>	<b>3,356</b>	<b>1,420</b>	<b>3,615</b>
10	Other Income / (Expenses)	(399)	106	(860)	210	(152)
<b>11</b>	<b>Profit before tax (9+10)</b>	<b>66</b>	<b>1,030</b>	<b>2,496</b>	<b>1,630</b>	<b>3,463</b>
12	Provision for taxation					
	Current Tax	20	--	100	--	50
	Fringe benefit Tax	12	8	22	8	23
	Deferred Tax benefit / (expense)	(109)	--	(12)	--	123
<b>13</b>	<b>Profit after Tax (11-12)</b>	<b>143</b>	<b>1,022</b>	<b>2,386</b>	<b>1,622</b>	<b>3,267</b>
14	Paid-up Equity Share Capital (Rs.10 per share)	4,427	3,168	4,427	3,168	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	0.33	3.22	5.39	5.12	9.31
	Diluted	0.34	3.19	5.35	5.11	9.23
18	Aggregate of public shareholding					
	Number of Shares	37,233,925	24,966,483	37,233,925	24,966,483	25,053,983
	Percentage of holding (to total holding)	84.11%	78.80%	84.11%	78.80%	78.86%

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

<b>Segment Revenue</b>					
Consulting	1,579	460	5,568	1,046	4,283
Telecom	543	1,838	5,356	3,839	6,135
<b>Total</b>	<b>2,122</b>	<b>2,298</b>	<b>10,924</b>	<b>4,885</b>	<b>10,418</b>
Less: Inter-segment revenue	--	--	--	--	--
Net Sales Income from Operations	2,122	2,298	10,924	4,885	10,418
<b>Segment Results</b>					
Profit before Tax & Interest from each segment					
Consulting	840	178	2,118	242	1,380
Telecom	264	918	3,014	1,643	3,350
<b>Total</b>	<b>1,104</b>	<b>1,096</b>	<b>5,132</b>	<b>1,885</b>	<b>4,730</b>
Less: Financial expenses	117	25	230	77	118
Less: Depreciation and Amortisation	486	102	1,414	260	749
Less: Other unallocable expenditure net-off unallocable income	435	(61)	992	(82)	400
<b>Total Profit before Tax</b>	<b>66</b>	<b>1,030</b>	<b>2,496</b>	<b>1,630</b>	<b>3,463</b>

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### Notes :

- 1 On 30 August 2007, the company completed acquisition of US based "Boston Communications Group, Inc." ("**bcgi**") by acquiring 100% of the **bcgi**'s shares through a open tender offer. **bcgi** has become a wholly owned subsidiary from that date.
- 2 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.
- 3 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 accounts are eliminated on consolidation.
- 4 The financial results of the Company and the Group for the quarter ended 30 September 2007 include the financials of erstwhile VisualSoft Technologies Limited ("VisualSoft"), amalgamated w.e.f. 1 October 2006, for this reporting period.
- 5 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. Depreciation is not allocated as fixed assets are used interchangeably among segments. Accordingly, no disclosure relating to total segment assets and liabilities have been made.
- 6 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	<u>12,484,800</u>
		12,498,400
Outstanding equity shares at the beginning of the year	01/01/2007	<u>31,768,893</u>
Total equity shares outstanding at the end of the period	30/06/2007	<u>44,267,293</u>

- 7 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	<u>346</u>
	<u>8,000</u>

- 8 Mr J Srihari Raju, Director of the Company, passed away on 14 October 2007, due to illness.
- 9 No investor complaints were pending either at the beginning or at the end of the quarter. None were received during the quarter.
- 10 Previous years' figures have been regrouped, reclassified / rearranged wherever necessary.
- 11 The Statutory Auditors have carried out a 'Limited Review' of the company's results in terms of clause 41 of the Listing Agreement
- 12 These results were taken on record by the Board of Directors at their Meeting held on 18 October 2007 after a review by the Audit Committee of the Company.

By Order of the Board  
for MEGASOFT LIMITED

Place: Hyderabad  
Date: 18 October 2007

GV Kumar  
Managing Director