

**MEGASOFT LIMITED**

Regd. Office: No.85, Kutchery Road, Mylapore, Chennai 600004

**Consolidated Financial Results for the quarter and year ended 31 December 2007**
*Rs in lakhs*

	Particulars	Unaudited		Audited		
		9 months ended 30-Sep-2007	Quarter ended 31-Dec-2007	Quarter ended 31-Dec-2006	Year ended 31-Dec-2007	Year ended 31-Dec-2006
1	<b>Revenues</b>	<b>20,197</b>	<b>9,520</b>	<b>6,180</b>	<b>29,717</b>	<b>17,833</b>
2	Personnel costs	10,928	3,851	3,014	14,779	9,751
3	Operating Expenses	2,728	2,412	1,056	5,140	3,114
4	(Increase) / Decrease in Inventories	--	--	235	--	344
5	<b>Total Expenditure (2+3+4)</b>	<b>13,656</b>	<b>6,263</b>	<b>4,305</b>	<b>19,919</b>	<b>13,209</b>
6	<b>Operating Profit before Interest, Depreciation and Amortisation (1-5)</b>	<b>6,541</b>	<b>3,257</b>	<b>1,875</b>	<b>9,798</b>	<b>4,624</b>
7	Financial expenses	272	395	69	667	203
8	Depreciation and Amortisation	1,534	706	505	2,240	838
9	<b>Operating Profit after Interest, Depreciation and Amortisation (6-7-8)</b>	<b>4,735</b>	<b>2,156</b>	<b>1,301</b>	<b>6,891</b>	<b>3,583</b>
10	Other Income / (Expenses)	(842)	(371)	(286)	(1,213)	(66)
11	<b>Profit before tax (9+10)</b>	<b>3,893</b>	<b>1,785</b>	<b>1,015</b>	<b>5,678</b>	<b>3,517</b>
12	Provision for taxation					
	Current Tax	100	160	107	260	107
	Fringe benefit Tax	22	10	15	32	23
	Deferred tax expense / (benefit)	(12)	(203)	123	(215)	123
13	<b>Profit after Tax (11-12)</b>	<b>3,783</b>	<b>1,818</b>	<b>770</b>	<b>5,601</b>	<b>3,264</b>
14	Less: Minority Interest	--	--	(8)	--	(33)
15	Profit after Tax and minority interest (13-14)	<b>3,783</b>	<b>1,818</b>	<b>778</b>	<b>5,601</b>	<b>3,297</b>
16	Paid-up Equity Share Capital (Rs 10 per share)	4,427	4,427	3,177	4,427	3,177
17	Equity shares to be issued on amalgamation	--	--	1,248	--	1,248
18	Reserves excluding revaluation reserves				29,269	24,409
19	Earnings per Share (Rs) (not annualised)					
	Basic	8.55	4.10	2.31	12.65	9.31
	Diluted	8.46	4.05	1.98	12.52	9.22

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

<b>Segment Revenue</b>					
IT Services	11,409	3,824	3,870	15,233	10,892
Telecom	8,788	5,696	2,310	14,484	6,941
Total	20,197	9,520	6,180	29,717	17,833
Less: Inter-segment revenue	--	--	--	--	--
Net Sales Income from Operations	20,197	9,520	6,180	29,717	17,833
<b>Segment Results</b>					
Profit / (Loss) before Tax & Interest from each segment					
IT Services	2,230	629	757	2,859	1,745
Telecom	4,644	3,703	1,332	8,347	3,383
Total	6,874	4,332	2,089	11,206	5,128
Less: Financial expenses	272	395	69	667	203
Less: Depreciation and Amortisation	1,534	706	505	2,240	838
Less: Other unallocable expenditure net-off unallocable income	1,175	1,446	500	2,621	570
<b>Profit before Tax</b>	<b>3,893</b>	<b>1,785</b>	<b>1,015</b>	<b>5,678</b>	<b>3,517</b>

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**Financial Results for the quarter and year ended 31 December 2007**

Rs in lakhs

	Particulars	Unaudited			Audited	
		9 months ended 30-Sep-2007	Quarter ended 31-Dec-2007	Quarter ended 31-Dec-2006	Year ended 31-Dec-2007	Year ended 31-Dec-2006
1	<b>Revenues</b>	<b>10,924</b>	<b>4,379</b>	<b>5,533</b>	<b>15,303</b>	<b>10,418</b>
2	Personnel costs	4,619	2,532	1,876	7,151	3,702
3	Operating Expenses	1,305	828	721	2,133	1,914
4	(Increase) / Decrease in Inventories	0	0	211	0	320
5	<b>Total Expenditure (2+3+4)</b>	<b>5,924</b>	<b>3,360</b>	<b>2,808</b>	<b>9,284</b>	<b>5,936</b>
6	<b>Operating Profit before Interest, Depreciation and Amortisation (1-5)</b>	<b>5,000</b>	<b>1,019</b>	<b>2,725</b>	<b>6,019</b>	<b>4,482</b>
7	Financial expenses	230	103	41	333	118
8	Depreciation and Amortisation	1,414	497	489	1,911	749
9	<b>Operating Profit after Interest, Depreciation and Amortisation (6-7-8)</b>	<b>3,356</b>	<b>419</b>	<b>2,195</b>	<b>3,775</b>	<b>3,615</b>
10	Other Income / (Expenses)	(860)	(412)	(362)	(1272)	(152)
11	<b>Profit before tax (9+10)</b>	<b>2,496</b>	<b>7</b>	<b>1,833</b>	<b>2,503</b>	<b>3,463</b>
12	Provision for taxation					
	Current Tax	100	150	50	250	50
	Fringe benefit Tax	22	10	15	32	23
	Deferred tax expense / (benefit)	(12)	(203)	123	(215)	123
13	<b>Profit after Tax (11-12)</b>	<b>2,386</b>	<b>50</b>	<b>1,645</b>	<b>2,436</b>	<b>3,267</b>
14	Less: Provision for diminution in value of Investments	--	294	--	294	--
15	<b>Profit / (Loss) after Tax and other adjustments (13-14)</b>	<b>2,386</b>	<b>(244)</b>	<b>1,645</b>	<b>2,142</b>	<b>3,267</b>
16	Paid-up Equity Share Capital (Rs 10 per share)	4,427	4,427	3,177	4,427	3,177
17	Equity shares to be issued on amalgamation	--	--	1,248	--	1,248
18	Reserves excluding revaluation reserves				25,738	24,198
19	Earnings per Share (Rs) (not annualised)					
	Basic	5.39	0.11	3.99	5.51	9.31
	Diluted	5.35	0.12	3.83	5.48	9.23
20	Aggregate of non-promoters' shareholding					
	Number of Shares	37,233,925	37,233,925	25,053,983	37,233,925	25,053,983
	Percentage of holding (to total holding)	84.1%	84.1%	78.9%	84.1%	78.9%

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

<b>Segment Revenue</b>						
	IT Services	5,568	1,811	3,237	7,379	4,283
	Telecom	5,356	2,568	2,296	7,924	6,135
	<b>Total</b>	<b>10,924</b>	<b>4,379</b>	<b>5,533</b>	<b>15,303</b>	<b>10,418</b>
	Less: Inter-segment revenue	--	--	--	--	--
	<b>Net Sales Income from Operations</b>	<b>10,924</b>	<b>4,379</b>	<b>5,533</b>	<b>15,303</b>	<b>10,418</b>
<b>Segment Results</b>						
	Profit / (Loss) before Tax & Interest from each segment					
	IT Services	2,118	647	1,139	2,765	1,380
	Telecom	3,014	733	1,706	3,747	3,350
	<b>Total</b>	<b>5,132</b>	<b>1,380</b>	<b>2,845</b>	<b>6,512</b>	<b>4,730</b>
	Less: Financial expenses	230	103	41	333	118
	Less: Depreciation and Amortisation	1,414	497	489	1,911	749
	Less: Other unallocable expenditure net-off unallocable income	992	773	482	1,765	400
	<b>Profit before Tax</b>	<b>2,496</b>	<b>7</b>	<b>1,833</b>	<b>2,503</b>	<b>3,463</b>

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### Notes:

- 1 The Board of Directors of the Company have recommended a dividend of 12% on equity shares of Rs 10 each subject to the approval of the shareholders of the Company.
- 2 On 30 August 2007, the company completed acquisition of US based "Boston Communications Group, Inc." ("**bcgi**") by acquiring 100% of **bcgi**'s shares through a open tender offer. **bcgi** has become a wholly owned subsidiary from that date.
- 3 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 issue is used as margin money for long term working capital requirements of the company.
- 4 In accordance with Accounting Standard 21 "Consolidated Financial Statements" issued by The Institute of Chartered Accountants of India, the consolidated financial statements of Megasoftware 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.
- 5 The financial results of the Group for the quarter ended 31 December 2007 include the financials of **bcgi**. Hence, the results are not strictly comparable with the previous year.
- 6 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. Accordingly, no disclosure relating to total segment assets and liabilities have been made.
- 7 Provision for taxation has been made in accordance with Section 115JB of the Income Tax Act, 1961.
- 8 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 year	31/12/2007	<u>44,267,293</u>

- 9 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>

- 10 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.
- 11 Previous years' figures have been regrouped, reclassified / rearranged wherever necessary to conform to current year's presentation.
- 12 These results were taken on record by the Board of Directors at their Meeting held on 22 February 2008 after a review by the Audit Committee of the Company.

By Order of the Board  
for MEGASOFT LIMITED

Hyderabad  
22 February 2008

GV Kumar  
Managing Director