Annual Report 2012

CHARTING A NEW COURSE

MEGASOFT®

ACROSS THE PAGES...

MEGASOFT®

Corporate Information

Board of Directors
G V Kumar, Managing Director
D Sudhakar Reddy, Executive Director
Anil Kumar Sood
Anish Mathew
R Janardhana
S V Ramkumar

Vice-President (Finance) and Secretary
G P Srinath

Auditors
Srikanth & Shanthi Associates
Chartered Accountants
Chennai 600018, India

TN Rajendran & Co.
Chartered Accountants
Chennai 600030, India

Bank
Axis Bank Limited

Registered office
85, Kutchery Road
Mylapore
Chennai 600004, India

Registrars and Share Transfer Agents
Cameo Corporate Services Limited
Subramanian Building
1, Club House Road
Chennai 600002, India

Shares Listed on
Bombay Stock Exchange Limited
National Stock Exchange of India Limited
Madras Stock Exchange Limited

Directors' Report

To the Members,

Your Directors are pleased to present their report on the business and operations of your company for the financial year ended 31 December 2012.

Financial Results

(₹ million)

	Standalone		Consolidated	
	31 December		31 December	
	2012	2011	2012	2011
Revenues	462	501	1,154	1,504
Total expenditure	409	394	939	1,098
Finance cost	33	28	106	98
Depreciation	34	41	123	129
Operating profit / (loss)	(14)	38	(14)	179
Profit before tax	16	61	16	181
Less: Taxes	4	6	4	6
Profit after tax	12	55	12	175
Earnings per share (equity shares, par value ₹ 10 each)				
Basic (₹)	0.27	1.25	0.26	3.95
Diluted (₹)	0.26	1.22	0.25	3.87

Overview

During the financial year ended 31 December 2012, your company recorded consolidated revenues of ₹ 1,154 million as compared to ₹ 1,504 million in the previous financial year. The consolidated profit was ₹12 million as compared to ₹ 175 million in 2011.

Dividend

Your Directors do not recommend any dividend on equity shares for the year under review.

Outlook

A detailed discussion on the performance of your company, industry structure, threats, opportunities, risks, future outlook and strategy is given separately in the Management Discussion and Analysis (MDA) section, which forms a part of this annual report.

Subsidiary Companies

Pursuant to the provisions of Section 212(8) of the Companies Act, 1956, the Ministry of Corporate Affairs vide its circular dated 8 February 2011 has granted general exemption from attaching the Balance Sheet, Profit and Loss Account and other documents of the subsidiary companies with the Balance Sheet of the company, provided such companies publish the audited consolidated financial statements in the annual report. Accordingly, a statement containing brief financial details of your company's subsidiaries for the financial year ended 31 December 2012 is included in the annual report. The annual accounts of these subsidiaries and the related detailed information will be made available to any member of the company / its subsidiaries seeking such information at any point of time and are also available for inspection by any member of the company / its subsidiaries at the registered office of your company. The annual accounts of the said subsidiaries will also be available for inspection, as above, at the head office / registered office of the respective subsidiary companies. Your company shall furnish a copy of the annual accounts of subsidiaries to any member on demand.

Corporate Governance

In accordance with Clause 49 of the Listing Agreement with the stock exchanges, a separate report on Corporate Governance and Management Discussion & Analysis together with a certificate from your company's auditors are provided as part of this annual report.

Disclosure as per the Companies (disclosure of particulars in the Report of Board of Directors) Rules, 1988

In terms of Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, your Directors furnish the required details below:

(a) Conservation of Energy

The nature of your company's operations is not energy intensive. Your company believes that it forms part of the duty to save energy and also install necessary apparatus which will help conserve energy. Your company's computer terminals, air conditioning systems, lighting and utilities are modern technology-enabled to facilitate the optimal use of energy and power.

(b) Research and Development (R&D)

Your company is actively engaged in the research and development of software. Your company's management team performs an end-to-end function by acting as the sounding board and mentors for the R&D team to develop their ideas to facilitate market launch. The teams will develop a unique approach and strengthen our positioning through tools, frameworks and methodologies to provide value-added services to clients.

(c) Technology Absorption

Your company believes that in addition to progressive thought, it is imperative to invest in research and development to ascertain future exposure and prepare for challenges. In its endeavour to obtain and deliver the best, your company entered into alliances with major global players in the industry to harness and tap the latest and the best of technology in its field, upgrade itself in line with latest technology globally and deploy / absorb technology wherever feasible, relevant and appropriate. Your company also attached tremendous importance to indigenous development and technology upgradation through its extensive Research and Development operations. The benefits derived from these processes are phenomenal and improved the quality of your company's world-class services.

(d) Foreign Exchange Earnings and Outgo

The details of foreign exchange earnings and outgo are given in note no. 28 & 27 – Notes to financial statements, forming part of the Balance Sheet and Profit & Loss Account of your company.

Particulars of Employees

There are no employees falling within the provisions of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, as amended.

Fixed Deposits

Your company has not accepted any fixed deposits and as such no amount of principal or interest was outstanding as on the date of the Balance Sheet.

Explanation to qualification by Auditors in their Report

The auditors of your company have mentioned about the delays in remittances of statutory dues in their annexure to the auditors' report at clause 9(a). Your company faced cash flow constraints during the year due to loss of one of the major customers in the last quarter of 2011. This resulted in delayed statutory payments. However, your company has remitted all the statutory payments due as on year end and does not have any pending dues on this account. To improve the cash flows, your company initiated and implemented several economic measures to reduce the gap.

Directors

Mr Anil Kumar Sood and Mr D Sudhakar Reddy, directors of your company, retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for reappointment.

Mr S Ravindra Babu and Mr P Mukunda Reddy resigned during the year. Your Board of Directors place on record their appreciation for the services rendered by them during their tenure as directors of your company.

Human Resources Development

Your company recognises the importance of human resources as it represents the backbone of corporate success. Your company believes in nurturing human resources. Its focus is to enhance employee professional value and create a win-win for both. Your company reinforced the best HR practices to recruit and retain talented employees. Your company is confident of reaping the best from its talent pool and sharing benefits with employees on an equitable basis.

Auditors

The joint statutory auditors, M/s Srikanth & Shanthi Associates and M/s TN Rajendran & Co., Chartered Accountants, retire at the ensuing Annual General Meeting and have confirmed their eligibility and willingness to accept office, if re-appointed.

Directors' Responsibility Statement

As required under Section 217(2AA) of the Companies Act, 1956, it is hereby stated that:

(i) in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanations relating to material departures;

(ii) the directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit of the company for the year;

(iii) the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities; and

(iv) the directors had prepared the annual accounts on a "going concern basis".

Employee Stock Option Schemes

As required by Clause 12 of the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, the particulars of the stock option schemes are furnished as annexure to this report.

Acknowledgements

Your directors place on record their appreciation of the customers, bankers, Government of India and of other countries, Registrar and Share Transfer Agent, vendors and technology partners for the support extended. Your directors also wish to place on record their appreciation of the contribution made by employees at all levels without whom the growth of the company is unattainable. Your directors seek and look forward to the same support during future years of growth.

For and on behalf of the Board of Directors

Hyderabad
23 February 2013

GV Kumar
Managing Director

D Sudhakar Reddy
Executive Director

Annexure to the Directors' Report

Employees Stock Option Plans

	Particulars	ESOS 2007
	Options outstanding as at the beginning of the year	2,510,000
(a)	Options granted during the year	—
(b)	Pricing Formula	Options have been granted at the latest available market price as on the date of grant
(c)	Options Vested**	1,696,000
(d)	Options Exercised**	—
(e)	Total no. of shares arising as result of exercise of Options	—
(f)	Options lapsed *	185,000
(g)	Variation in terms of Options	None
(h)	Money realised by exercise of Options (in Millions)	—
(i)	Total number of options in force**	2,325,000
	** The number of options have been reported as on 31-Dec-2012	
	* Lapsed Options include options cancelled / lapsed	
(k)	Diluted earnings per share pursuant to issue of shares on exercise of option calculated in accordance with AS 20 'Earnings per Share' (₹)	0.26
(l)	Pro Forma Adjusted Net Income and Earnings Per Share	

Particulars	₹ Millions
Net Income	
As Reported	11.84
Add: Intrinsic Value Compensation Cost	0.00
Less: Fair Value Compensation Cost	12.99
Adjusted Pro Forma Net Income	(1.15)
Earnings Per Share: Basic	
As Reported (₹)	0.27
Adjusted Pro Forma (₹)	(0.02)
Earnings Per Share: Diluted	
As Reported (₹)	0.26
Adjusted Pro Forma (₹)	(0.02)

Note: Disclosures under clause (j), (m) and (n) are not applicable as the company has not granted any options during the year.

Corporate Governance Report

The Securities and Exchange Board of India (SEBI) has introduced a code of corporate governance for listed companies which are implemented through the Listing Agreement with the Exchanges with which the company is listed. The company has complied with the corporate governance requirements set out in clause 49 of the Listing Agreement.

(1) Company's philosophy on code of governance

The company believes in adapting and adhering globally recognised standards of corporate conduct towards its employees, clients and society. Corporate Governance is an ongoing process ensuring integrity, transparency and accountability in dealing with employees, shareholders, customers and the community at large. The company has benchmarked its practices with the prevailing guidelines by upholding the core values across all aspects of its operations. The company's Board is fully aware of its fiduciary responsibilities in the widest sense of the term. The company's disclosures match, if not go beyond, the best practices recommended by all international corporate governance codes.

(2) Board of Directors

The composition and category of the Directors on the Board of the company are given below:

Director	Category of director	DIN No.	Date of appointment	Committee memberships (excluding in the company) #		No of Directorship(s) held in Indian public limited companies *	Shares held in the company	
				Member	Chairman		No of shares	%
GV Kumar	Managing Director	00059107	01/09/2004	—	—	—	2,226,911	5.03
D Sudhakar Reddy	Executive Director	00047707	06/03/2000	—	—	—	—	—
Anil Kumar Sood	Independent Non-Executive	00086577	28/04/2007	—	—	—	—	—
Anish Mathew	Independent Non-Executive	02545538	31/01/2009	—	—	—	97,570	0.24
R Janardhana	Independent Non-Executive	02544300	31/01/2009	—	—	—	400	0.00
SV Ramkumar (co-opted on 28 February 2012)	Independent Non-Executive	00460119	28/02/2012	—	—	—	—	—
P Mukunda Reddy (resigned on 2 July 2012)	Independent Non-Executive	00085085	16/06/2000	—	—	—	12,600	0.03
S Ravindra Babu (resigned on 29 September 2012)	Promoter / Chairman	00047652	29/06/1999	—	—	—	1,988,768	4.49

* Excludes directorships held in Private Limited Companies, Foreign Companies and Section 25 Companies.
# Only mandatory committees considered viz. Audit Committee & Shareholders'/ Investors' Grievance Committee.

Board meetings held during the year 2012

Dates on which the Board Meetings were held	Total Strength of the Board	No of Directors Present
28 February 2012	7	7
8 May 2012	8	6
10 August 2012	7	5
9 November 2012	6	4

Director	Attendance at the board meetings held during 2012				Attendance at the AGM held during 2012
	February 28	May 8	August 10	November 9	June 29
GV Kumar	✓	✓	✓	✓	✓
D Sudhakar Reddy	✓	✓	Leave of Absence	✓	✓
Anil Kumar Sood	✓	✓	✓	✓	Leave of Absence
R Janardhana	✓	✓	✓	✓	✓
Anish Mathew	✓	Leave of Absence	✓	Leave of Absence	Leave of Absence
SV Ramkumar (co-opted on 28 February 2012)	Not applicable	✓	✓	Leave of Absence	Leave of Absence
P Mukunda Reddy (resigned on 2 July 2012)	✓	✓	Not applicable	Not applicable	✓
S Ravindra Babu (resigned on 29 September 2012)	✓	Leave of Absence	Leave of Absence	Not applicable	✓

The Board periodically reviews the items required to be placed before it in terms of the Clause 49 of the Listing Agreement and in particular reviews and approves quarterly / half yearly unaudited financial statements and the audited annual accounts, corporate strategies, business plans, annual budgets, projects and capital expenditure. It monitors overall operating performance, progress of major projects and reviews such other items which require Board's attention. It directs and guides the activities of the Management towards the set goals and seeks accountability. It also sets standards of corporate behaviour, ensures transparency in corporate dealings and compliance with laws and regulations. The Agenda for the Board Meeting covers items set out as guidelines in Clause 49 of the Listing Agreement to the extent these are relevant and applicable. All agenda items are supported by relevant information, documents and presentations to enable the Board to take informed decisions.

(3) Audit committee

The primary objective of the Audit Committee is to monitor and provide effective supervision of the management's financial reporting process with a view to ensuring accurate, timely and proper disclosure and transparency, integrity and quality of financial reporting. The Audit Committee adheres to the Listing Agreement in terms of quorum for its meetings, functioning, role and powers as also those set out in the Companies Act, 1956. The functions of the committee include:

- overseeing the company's financial reporting process and disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible;
- recommendation of appointment and removal of external auditor, fixation of audit fee and also approval for payment for any other services;
- review of adequacy of internal audit function, including the reporting structure, coverage and frequency of internal audit;
- review of the company's financial and risk management policies;
- review of the financial reporting system and internal control systems;
- approve quarterly, half yearly and annual financial results including major accounting entries involving exercise of judgement by the management;
- representation by the Statutory Auditors to the management in regard to any internal control weaknesses observed by them during the course of their audit and the action taken by the management thereon;
- discussions with Statutory and Internal Auditors on matters related to their area of audit;
- management Discussion & Analysis of the company's operations;
- review of significant related party transactions;
- review of implementation of the Fraud Risk Management Policy and the Fraud Risk Assessment Reports;
- recommendation for appointment of Statutory Auditors and their remuneration;
- appointment, removal and terms of remuneration of the Chief Financial Officer.

The company has a qualified and independent Audit Committee, consisting of Independent Non-Executive Directors. All the Members on the Audit Committee have the requisite qualification for appointment on the Committee and possess sound knowledge of finance, accounting practices and internal controls.

The Audit Committee met four times during the year 2012.

Director	Attendance at the audit committee meetings held during 2012			
	February 28	May 8	August 10	November 9
R Janardhana, *Chairman*	✓	✓	✓	✓
Anil Kumar Sood	✓	✓	Leave of Absence	✓
Anish Mathew	✓	Leave of Absence	✓	Leave of Absence
SV Ramkumar (inducted on 10 August 2012)	Not applicable	Not applicable	✓	Leave of Absence
P Mukunda Reddy (resigned from the board on 2 July 2012)	✓	✓	Not applicable	Not applicable

The Company Secretary is the Secretary of the Audit Committee. Executive Directors as well as the Internal and Statutory Auditors of the company, attend Audit Committee meetings to brief the Members. The Committee also invites Business and Departmental Heads, to discuss matters concerning their business / departments, as and when it deems necessary.

(4) Remuneration / Compensation committee

The Committee determines the compensation and benefits for Board members, as well as for the Senior Management personnel. The Committee rewards the employees of the company based on their performance, experience, qualification and the value addition. The Committee also approves, allocates and administers the Employee Stock Option Plans delegated by the Board / Shareholders of the company subject to the Listing Agreement and other statutory regulations from time to time.

The Committee met once on February 28, 2012.

The company pays a sitting fees of ₹15,000 per meeting to its non-executive directors for attending the board and committee meetings. The company also reimburses the out-of-pocket expenses incurred by the directors for attending meetings.

Director	No of Meetings held	No of Meetings attended
Anil Kumar Sood, *Chairman*	1	1
R Janardhana	1	1
Anish Mathew	1	1
P Mukunda Reddy (resigned from the board on 2 July 2012)	1	1

The members at the AGM held on 29 June 2012 have approved payment of commission to the Non-Executive Directors (NED) within the ceiling of 1% of the net profits of the company as computed under the applicable provisions of the Companies Act, 1956. The said commission is decided each year by the Board of Directors and distributed amongst the NEDs based on their contribution at Board and certain Committee meetings, as well as the time spent on operational matters other than at meetings. The Company also reimburses the out-of-pocket expenses incurred by the Directors for attending meetings.

The details of remuneration paid to directors of the company during the year are given below:

Director	Salary / perquisites	Commission	Sitting fees	Total
	₹ 000s	₹ 000s	₹ 000s	₹ 000s
GV Kumar	3,899	—	—	3,899
D Sudhakar Reddy	1,309	—	—	1,309
Anil Kumar Sood	—	—	135	135
R Janardhana	—	—	135	135
Anish Mathew	—	—	75	75
SV Ramkumar (co-opted on 28 February 2012)	—	—	—	—
P Mukunda Reddy (resigned on 2 July 2012)	—	—	75	75
S Ravindra Babu (resigned on 29 September 2012)	—	—	—	—

The remuneration paid to executive directors exclude contribution to gratuity fund and provision for leave encashment on retirement payable to them since the same is provided on actuarial basis for the company as a whole.

The severance payment to executive directors is in terms of the provisions of Section 318 of the Companies Act, 1956.

Notice period of executive directors is as per the company's rules.

GV Kumar was granted 1,350,000 stock options on 6 August 2010 at ₹ 25 (market price) per option convertible into equivalent equity shares of ₹ 10 each in three equal tranches at the end of first, second and third year from the date of grant. He was further granted 900,000 stock options (performance based) on 6 August 2010 at ₹ 25 (market price) per option convertible into equivalent equity shares of ₹ 10 each in three equal tranches at the end of first, second and third year from the date of grant. Considering the market scenario and the economical factors it has not been feasible to exercise the stock options vested at the end of one year.

(5) Share transfer / Investors grievance committee

The Shareholders'/ Investors' Grievance Committee of the company comprising of R Janardhana, D Sudhakar Reddy and GV Kumar deals with various matters relating to:

- transfer / transmission of shares;
- issue of duplicate share certificates;
- issue and allotment of rights / bonus shares / shares against Employee Stock Options;
- review of shares dematerialized and all other related matters;
- monitoring expeditious redressal of investors' grievances;
- non receipt of Annual Report and declared dividend;
- all other matters related to shares.

GV Kumar was inducted into the Committee on 10 August 2012 consequent to the resignation of P Mukunda Reddy from the Board on 2 July 2012.

The process of share transfer is assigned to Cameo Corporate Services Limited, the Registrars & Share Transfer Agent of the company, for taking care of share transfer formalities on an ongoing basis.

There were nine complaints (other than dividend warrant revalidation) received and resolved during the year under report. There were no pending complaints at the beginning or end of the year. There were no transfers pending at the end of the year. All the complaints have been resolved to the satisfaction of the investors.

The Company Secretary also functions as the Compliance Officer.

(6) General body meetings

Annual General Meetings (AGM)

Year	AGM	Location	Date	Time	Special Resolutions passed
2012	12th	The Music Academy Kasturi Srinivasan Hall (Mini Hall) 168, TTK Road, Alwarpet Chennai 600014	29 June 2012	10.00 AM	Commission to Non-Executive Directors
2011	11th	Hotel Ramada Raj Park-Chennai 180, TTK Road, Alwarpet Chennai 600018	17 June 2011	3.30 PM	Payment of remuneration to GV Kumar, Managing Director Payment of remuneration to GV Kumar, Managing Director in the company's wholly owned subsidiary at the USA
2010	10th	Hotel Ramada Raj Park-Chennai 180, TTK Road, Alwarpet Chennai 600018	29 June 2010	4.30 PM	No special resolution

The resolutions were passed on show of hands with requisite majority.

Extra-ordinary General Meetings (EGM)

During the year, no extra-ordinary general meetings were held.

Postal Ballot

During the year, no resolutions were passed through postal ballot.

(7) Subsidiary companies

The company does not have a material non-listed Indian subsidiary whose turnover or net worth (i.e. paid-up capital and free reserves) exceeds 20% of the consolidated turnover or net worth of the listed holding company and its subsidiaries in the immediately preceding accounting year.

The financial statements of the subsidiary companies are placed before and reviewed by the Audit Committee.

Copies of the minutes of the Board meetings of the subsidiary companies are tabled at the Board Meetings of the company.

(8) Disclosures

There have been no materially significant related party transactions, pecuniary transaction or relationships between the Company and its Directors for the year ended 31 December 2012 that may have a potential conflict with the interests of the Company at large.

All details relating to financial and commercial transactions where Directors may have a pecuniary interest are provided to the Board, and the interested Directors neither participate in the discussion, nor do they vote on such matters.

Transactions with related parties, as per requirements of Accounting Standard 18, are disclosed elsewhere in this Annual Report and they are not in conflict with the interest of the company at large.

Business risk evaluation and managing such risks is an ongoing process within the organisation. The Board is regularly briefed of risks assessed and the measures adopted by the company to mitigate the risks.

No strictures / penalties have been imposed on the company by the Stock Exchanges or SEBI or any statutory authority on any matters related to the capital market during the last three years.

The company's code of conduct has clearly laid down procedures for reporting unethical behaviour, actual or suspected fraud or violation of the ethics policies. No employee of the company was denied access to the Audit Committee.

Adoption of non-mandatory requirements under clause 49 of the Listing Agreement is being reviewed by the Board from time to time.

(9) Means of communication

The unaudited quarterly / half yearly financial results are announced within the stipulated time from the end of the period in terms of the Listing Agreement with the Stock Exchanges. The said results are being taken on record by the Board of Directors and communicated to the Stock Exchanges where the company's securities are listed. Once the Stock Exchanges have been intimated these results are given by way of a Press Release to various news agencies and published within 48 hours in English (Business Standard) and Tamil (Makkal Kural) daily newspapers.

The audited annual financial results are announced within the stipulated time from the end of the financial year in terms of the Listing Agreement with the Stock Exchanges. For the financial year ended 31 December 2012, the company announced the audited annual financial results on 23 February 2013. The said results are being taken on record by the Board of Directors and communicated to the Stock Exchanges where the company's securities are listed. Once the Stock Exchanges have been intimated these results are given by way of a press release to various news agencies and published within 48 hours in English and Tamil daily newspapers.

The quarterly / half-yearly and the annual financial results are posted on the company's website - www.megasoft.com.

(10) General Shareholder information

- **Annual General Meeting**

  At 3.30 PM on Wednesday the 15th day of May 2013 at The Music Academy, Kasturi Srinivasan Hall (Mini Hall), 168, TTK Road, Alwarpet, Chennai 600014.

- **Financial calendar for 2013**

  1 January to 31 December

  Unaudited quarterly results for 2013

  First quarter – May 2013

  Second quarter / half yearly – August 2013

  Third quarter – November 2013

  Annual results for the year ending 31 December 2013 – February 2014

  Annual General Meeting for the year ending 31 December 2013 – May / June 2014

- **Date of book closure**

  8 May 2013 to 15 May 2013 (both days inclusive)

- **Listing on Stock Exchanges**

  The company's equity shares are listed in India:

  Bombay Stock Exchange Limited
  Phiroze JeeJee Bhoy Towers
  Dalal Street, Fort
  Mumbai 400001

  National Stock Exchange of India Limited
  Exchange Plaza
  Bandra-Kurla Complex, Bandra(E)
  Mumbai 400051

  Madras Stock Exchange Limited
  Exchange Building
  New No.30 (Old No.11), Second Line Beach
  Chennai 600001

  The company has paid the listing fees to the stock exchanges where its securities are listed.

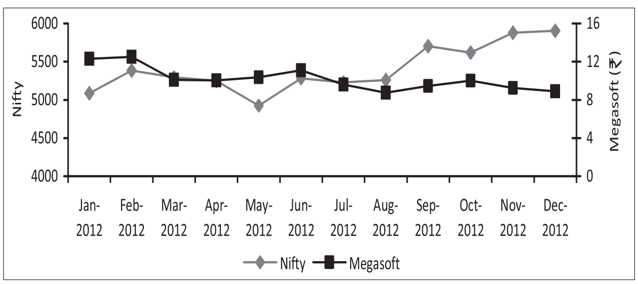
- **Stock Code**

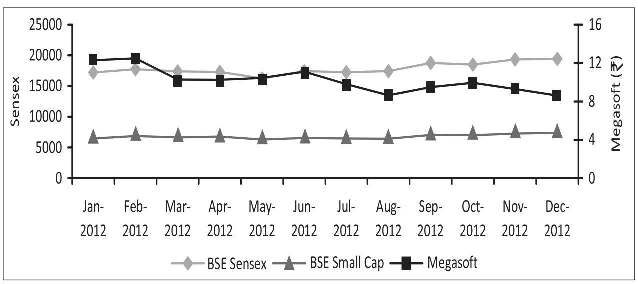
Stock Exchange	Code
Bombay Stock Exchange Limited	532408
National Stock Exchange of India Limited	MEGASOFT
Madras Stock Exchange Limited	MEGASOFT
ISIN number for equity shares	INE933B01012

- **Stock market data**

Months	Bombay Stock Exchange Limited				National Stock Exchange of India Limited			
	High	Low	Close	Volume	High	Low	Close	Volume
	₹	₹	₹	Nos	₹	₹	₹	Nos
January	13.50	9.35	12.30	164,317	13.50	9.20	12.30	125,382
February	14.00	12.30	12.49	121,987	14.00	12.00	12.50	214,855
March	13.80	9.60	10.27	175,656	13.75	9.55	10.60	153,760
April	12.12	10.05	10.24	63,906	12.20	10.05	10.05	49,321
May	10.63	8.50	10.44	59,543	10.90	8.40	10.35	126,132
June	12.00	9.50	11.09	135,229	12.25	9.55	11.10	113,069
July	13.50	9.00	9.81	91,034	13.50	9.05	9.60	126,803
August	11.95	8.20	8.65	110,583	11.75	8.30	8.75	92,195
September	9.89	8.10	9.50	69,992	9.85	8.20	9.45	83,772
October	13.00	9.01	9.94	201,183	13.80	9.00	10.00	396,223
November	10.25	8.50	9.30	97,633	10.50	8.55	9.25	158,551
December	9.70	8.50	8.61	54,809	9.90	8.50	8.90	190,785

* There were no trades during the year in the Madras Stock Exchange.





- **Distribution of shareholding as at 31 December 2012**

No of Shares held	No of Shareholders	% of Shareholders	No of Shares	% of Shareholding
1-500	22,733	87.64	2,539,291	5.74
501-1000	1,517	5.85	1,188,074	2.68
1001-2000	723	2.79	1,104,770	2.50
2001-3000	248	0.96	673,727	1.52
3001-4000	149	0.57	483,924	1.09
4001-5000	108	0.42	605,965	1.37
5001-10000	208	0.80	1,601,281	3.62
10001 & Above	252	0.97	36,070,261	81.48
Total	**25,938**	**100.00**	**44,267,293**	**100.00**

- **Dematerialisation of shares**

Megasoft shares are tradable compulsorily in electronic form and, through Cameo Corporate Services Limited, Registrars and Share Transfer Agents, we have established connectivity with both the depositories, that is, National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). The International Securities Identification Number (ISIN) allotted to our shares under the Depository System is INE933B01012.

Over 89.8% of outstanding equity shares of the company have been dematerialised as on 31 December 2012.

Category	Number of shareholders	Number of shares	% to total equity
Demat mode			
NSDL	18,383	35,514,986	80.23
CDSL	6,713	4,313,873	9.74
Total	25,096	39,828,859	89.97
Physical mode	842	4,438,434	10.03
Grand Total	**25,938**	**44,267,293**	**100.00**

- **Categories of shareholders**

	Category of shareholder	No. of shareholders	Total No. of shares	% of shareholding
A	**Shareholding of Promoter and Promoter Group**			
	Indian Promoters *	4	3,203,956	7.24
	Total Shareholding of Promoter Group	4	3,203,956	7.24
B	**Public Shareholding**			
1	**Institutions**			
	Mutual Funds / UTI	2	1,768,877	4.00
	Financial Institutions / Banks	1	12	0.00
	Venture Capital Funds	1	3,762,375	8.50
	Insurance Companies	1	30,478	0.07
	Foreign Institutional Investors	4	4,681,016	10.57
	Sub Total B(1)	9	10,242,758	23.14
2	**Non-institutions**			
	Bodies Corporate	619	5,959,500	13.46
	Individuals			
	Individual shareholders holding nominal share capital up to ₹ 1 lakh	25,244	6,772,361	15.30
	Individual shareholders holding nominal share capital in excess of ₹1 lakh	163	12,268,486	27.71
	Others:			
	Directors & their Relatives	6	2,403,724	5.43
	HUF	646	536,858	1.21
	Trusts	4	2,325	0.01
	Foreign Company	1	1,747,872	3.95
	NRI	229	1,128,551	2.55
	OCB	1	31	0.00
	Clearing Members	12	871	0.00
		899	5,820,232	13.15
	Sub Total B(2)	25,925	30,820,579	69.62
	Total Public Shareholding (B)=B(1)+B(2)	25,934	41,063,337	92.76
	Total (A+B)	**25,938**	**44,267,293**	**100.00**

Shareholders holding more than 1% of the equity share capital

Sl.No	Name of the shareholder	No. of shares	% of shareholding
1	S Ravindra Babu *	1,988,768	4.49
2	S Ravindra Babu – HUF *	1,212,126	2.74
3	I Labs Venture Capital Fund	3,762,375	8.50
4	Ashish Dhawan	3,554,769	8.03
5	GV Kumar	2,226,911	5.03
6	Copthall Mauritius Investment Limited	1,998,068	4.51
7	Chintalapati Holdings Private Limited	1,769,822	4.00
8	Birla Sun Life Trustee Company Pvt Ltd A/C Birla Sun Life Equity Fund	1,515,748	3.42
9	Saif II Mauritius Company Limited	1,747,872	3.95
10	Morgan Stanley Mauritius Company Limited	1,380,198	3.12
11	Godavari Greenlands Private Limited	1,343,750	3.04
12	Deutsche Securities Mauritius Limited	1,197,125	2.70
13	Satyavathi Dendukuri	835,500	1.89
14	Srinivas Raju D	747,600	1.69
15	Venturetech Solutions P Ltd	458,250	1.04
		25,738,882	**58.15**

* The promoters have pledged 941,870 shares.

- **Registrars and Share Transfer Agents**

  Cameo Corporate Services Limited

  Subramanian Building, 1, Club House Road, Chennai 600002, India

  Tel: +91.44.28460390, Fax: +91.44.28460129, email: cameo@cameoindia.com

- **Share Transfer System and other related matters**

(i) Share transfers

The share transfers in physical form are presently processed and the share certificates are generally returned within a period of 15 days from the date of receipt.

(ii) Nomination facility for shareholding

As per the provisions of the Companies Act 1956, facility for making nomination is available for shareholders in respect of shares held by them. Those shareholders who hold shares in physical form may obtain nomination forms from the company.

(iii) Payment of dividend through Electronic Clearing Service

The Securities and Exchange Board of India (SEBI) has made it mandatory for all companies to use the bank account details furnished by the depositories for depositing dividends through Electronic Clearing Service (ECS) to the investors wherever ECS and Bank details are available. In the absence of ECS facility the company is required to print the Bank account details, if available, on payment instruments for distribution of dividend to the shareholders. The company is complying with SEBI's directive in this regard.

(iv) Unclaimed Dividends

Section 205 of the Companies Act, 1956, mandates that companies transfer dividend that has been unclaimed for a period of seven years from the unpaid dividend account to the Investor Education and Protection Fund (IEPF). In accordance with the following schedule, the dividend for the years mentioned as follows, if unclaimed within a period of seven years, will be transferred to IEPF.

Financial Year	Date of Declaration	Due date for transfer to IEPF
Dividend declared by Megasoft Limited		
2006	June 27, 2007	August 2, 2014
2007	June 23, 2008	July 30, 2015

(v) Dividend remitted to IEPF

Financial Year	(₹ 000s)
Dividend of erstwhile VisualSoft Technologies Limited	
2012	580
2011	567
2010	298
2009	256
2008	341
2007	125

(vi) Correspondence regarding Change of Address, etc.

Shareholders are requested to ensure that any correspondence for change of address, change in Bank Mandates, etc. should be signed by the first named shareholder. The company is now also requesting for supporting documents such as proof of residence and proof of identification whenever a letter requesting for change of address is received. This is being done in the interest of shareholders as there are cases in the corporate world where attempts are made to fraudulently change the registered address of shareholders by unscrupulous parties. Shareholders are requested to kindly co-operate and submit the necessary documents / evidence while sending the letters for change of address. Shareholders who hold shares in dematerialised form should correspond with the Depository Participant with whom they have opened Demat Account/s.

(vii) Pending Investors' Grievances'

Any shareholder whose grievance has not been resolved to his / her satisfaction may kindly write to the Company Secretary at the Registered Office with a copy of the earlier correspondence.

- **Go Green initiative**

  In order to protect the environment and as a Go Green initiative, the company has taken an initiative of sending documents like Notice calling the Annual General Meeting, Corporate Governance Report, Directors' Report, Audited Financial Statements, Auditors' Report, dividend intimations, etc. by e-mail. Physical copies shall be sent only to those shareholders whose e-mail addresses are not registered with the company and for the bounced e-mail cases. Shareholders are requested to register their e-mail id with RTA / Depository to enable the company to send the documents in electronic form or inform the company in case they wish to receive the above documents in paper mode.

- **Plant locations**

  In view of the nature of the company's business viz. Information Technology (IT) services, the company operates from various offices in India and abroad and does not have any manufacturing plant.

- **Address for correspondence**

  Company Secretary
  Megasoft Limited
  85, Kutchery Road, Mylapore, Chennai 600004
  Tel: +91.44.24616768, Fax: +91.44.24617810, email: investors@megasoft.com

(11) Share Capital History

Date of Allotment	No. of Shares	Consideration		Paid up Capital (₹)	Remarks
29/06/1999	800	Cash		8,000	Subscribers to the Memorandum of Association
29/12/1999	1,130,000	Cash		113,00,000	Allotted to Promoters
31/12/1999	169,200	Cash		1,692,000	Allotted to Promoters
31/12/1999	500,000	Cash		5,000,000	Allotted to Megasoft Employees Welfare Trust as part of ESOP/ESPP
14/01/2000	2,029,100	Cash	#	20,291,000	Allotted to Mr S Ravindra Babu, NRI
	1,670,900	Cash	#	16,709,000	Allotted to KR Investments Corpn, OCB
24/08/2000	5,150,500	Swap	*	51,505,000	Allotted to Shareholders of Indus e-Solutions Limited
12/06/2002	4,260,200	Cash	@	42,602,000	Rights Issue
04/10/2002	207,075	Cash	$	2,070,750	Preferential Issue
01/09/2004	10,330,625	Swap	**	103,306,250	Allotted to Shareholders of XIUS India Limited
23/01/2006	776,869	Cash		7,768,690	Conversion of FCCB aggregating to USD 2 million
27/02/2006	1,800,000	Cash		18,000,000	Conversion of 900,000 10% Convertible Redeemable Preference Shares of ₹ 100/- each issued on 28 February 2005
08/03/2006	1,328,125	Cash		13,281,250	Exercise of stock options under ESOP (XIUS)
30/03/2006	773,391	Cash		7,733,910	Conversion of FCCB aggregating to USD 2 million
26/04/2006	56,000	Cash		560,000	Exercise of stock options under ESOP 2001
16/05/2006	700,000	Cash		7,000,000	Conversion of 700,000 equity warrants of ₹ 50/- each (10% paid in advance) issued on 28 February 2005 to one of the Promoter Director
14/07/2006	798,608	Cash		7,986,080	Conversion of FCCB aggregating to USD 2 million
31/10/2006	87,500	Cash		875,000	Exercise of stock options under ESOP (XIUS)
29/03/2007	10,925	Cash		109,250	Exercise of stock options under ESOP 2001
28/04/2007	2,675	Cash		26,750	Exercise of stock options under ESOP 2001
17/05/2007	12,484,800	Swap	***	124,848,000	Allotted to Shareholders of VisualSoft Technologies Limited
Total	**44,267,293**			**442,672,930**	

\# Allotted to NRI / OCB in terms of letter No. FC 114(1999)/EOP/(98)/1999 dated 7 January 2000 of Secretariat for Industrial Assistance (EOU-NRI Section), New Delhi and approved by Reserve Bank of India vide their letter No. NRFAD/1308/100% EOU/M.328/1999-2000 dated 4 March 2000.

* Pursuant to the scheme of amalgamation of Indus e-Solutions Limited, a listed company, with Megasoft Limited as approved by the High Court of Judicature at Madras in Chennai w.e.f. 1 January 2000, one share of ₹ 10 each of Megasoft Limited aggregating to 5,150,500 equity shares were allotted to the shareholders of Indus e-Solutions Limited in the ratio of 1:1 on 24 August 2000.

@ Rights issue of 4,260,200 equity shares in the ratio of two shares for every five shares held, at ₹ 25 (premium of ₹ 15) per share.

$ Preferential issue of 207,075 equity shares at ₹ 70 (premium of ₹ 60) per share.

** Pursuant to the scheme of amalgamation of XIUS India Limited, an unlisted company, with Megasoft Limited as approved by the High Court of Judicature at Madras in Chennai on 22 June 2004 and the High Court of Judicature at Andhra Pradesh in Hyderabad on 16 July 2004, w.e.f. 1 January 2004, 10,330,625 equity shares of ₹ 10 each of the company allotted in exchange of 4,132,250 equity shares of ₹ 10 each to the shareholders of XIUS India Limited in the ratio of 2:5 on 1 September 2004.

*** Pursuant to the scheme of amalgamation of VisualSoft Technologies Limited with Megasoft Limited as approved by the High Court of Judicature at Madras in Chennai on 27 March 2007 and the High Court of Judicature at Andhra Pradesh in Hyderabad on 22 March 2007, w.e.f. 1 October 2006, 12,484,800 equity shares of ₹ 10 each of the company allotted in exchange of 19,975,680 equity shares of ₹ 10 each to the shareholders of VisualSoft Technologies Limited in the ratio of 5:8 on 17 May 2007.

Management Discussion and Analysis

(1) Background and overview

The financial year 2012 has been a rather difficult one for the Industry in general and for your company in particular. The company, as you may be aware, lost its prepaid system contract with its largest customer by the end of the previous year 2011, the full year effect of which was felt in 2012, resulting in a 22% decline in revenues, compared to 2011. However, owing to the company's 'cash and caution' policy, marked by tight financial discipline and cost reduction, the company managed to remain profitable at the end of the financial year. The company possesses a strong sales pipeline and is confident of offsetting this loss with new orders and revenues in the coming years.

The company and management are aware that product companies require a long-term commitment to R&D. Accordingly; the company treats innovation and R&D as focus areas and strives to launch new products and services in the mobile technology arena. Its recent foray into 4G/LTE infrastructure market segments and the release of 4.0 version of its MSP platform are testimony to the Company's ability to innovate and stay ahead. Furthermore, the company continued its ongoing efforts in support of its patent filings across multiple global regions (India, US, Canada, Europe and Latin America) during 2012.

(2) Financial results

The company reported a turnover of ₹1,154 million in 2012 as against ₹1,504 million in 2011. This generated an EBIDTA of ₹ 217 million and an overall profit of ₹ 12 million for the financial year under review.

(3) Business and Industry Outlook

The ITU reports in its ICT Facts and Figures report that the number of mobile-cellular subscriptions (6.8 billion) is approaching global population figures, causing mobile-cellular growth to slow in both developed and developing countries. On an average mobile-cellular penetration rates stand at 96% globally; 128% in developed countries; and 89% in developing countries.

As well, according to a new market study from The INSIGHT Research Corporation entitled "Telecommunications and Capital Investments: Impacts of the Financial Crisis on Worldwide Telecommunications, 2012-2017", Capex spending will be uneven by region, with North America, Europe and the Latin American-Caribbean regions showing little or no growth and Asia-Pacific and Africa continuing investments in telecommunications hardware and software to keep up with customer demand for new services. Additionally, services in every global region will come under heavy pricing pressure as operators fight over the cost-conscious customers willing to delay new device purchases. Forecasted erosion of operator margins due to customers pinching their pennies and uncertainty regarding demand for advanced applications will impact investments in infrastructures and new technologies since funding is now more difficult to obtain. "The difficulty in finding funding now faced by many operators will certainly slow down, if not derail, the rolling out of investments in NGNs, WiMAX, LTE, or converged services," says INSIGHT Research President Robert Rosenberg.

Additionally, Gary Kim, contributing editor to TMZNet's Techzone 360, projects that LTE investment will be the exception for investment in global mobile telecom industry and that other major projects are being postponed. He also reported that telecom Capex spending fell after the Great Recession of 2008, rebounded a bit in 2010, and overall spending fell in 2012 (contrary to forecasts).

However, it also seems that Capex spending for infrastructure (especially LTE) will continue for the next few years. According to a new report from IHS iSuppli, as 4G LTE coverage and usage increases, so will the budgets of wireless providers building out their 4G LTE infrastructures. While the need to build out networks is obvious, it is the amount of budget that will be allocated to the upgrade effort that is significant as global spending on LTE technology is projected to reach US$ 24.3 billion in 2013, nearly 3 times the expected 2012 spend of US$ 8.7 billion.

The following is a recap of two areas of particular interest, as they align with the company's legacy solutions and capabilities.

MOBILE INFRASTRUCTURE

Globally, spending on mobile infrastructure and services is anticipated to reach US$ 250 billion by 2016. This will be a combination of spending on M2M, 2G / 3G, 4G / LTE infrastructure and Network Management outsourcing services. According to the IHS iSuppli Wireless Communication Report[1], LTE spending is expected to dominate wireless infrastructure spending by reaching a projected US$ 24.3 billion by 2013. It is also projected that LTE spending will rise to US$ 36.1 billion by 2015. In 2013, 3.5G infrastructure technology spending will generate US$ 19.8 billion in revenue.

The company's on-the-ground experience with its current customers and prospects parallel these projections as projects and funding for 4G are being initiated - and the company has the solutions needed to address this market.

MOBILE PAYMENTS

The worldwide mobile payment transaction value was expected to surpass US$ 171.5 billion in 2012, a 61.9 percent increase from 2011 values of US$ 105.9 billion, according to Gartner, Inc. Additionally, the number of mobile payment users was expected to reach US$ 212.2 million in 2012, up from US$ 160.5 million in 2011.

Yankee Group has forecast that the value of global mobile payment transactions will exceed US$ 1 trillion by 2015. Africa and Asia-Pacific combined are expected to account for more than 60 percent of the global mobile payments volume in 2016. Overall, the mobile payment market is experiencing exponential growth due to factors such as availability of mobile phones and a considerable number of people having little or no access to banks in underdeveloped regions.

In this area as well, the company has solutions and expertise to address mobile payments, mobile wallets, NFC, and mobile banking.

SUMMARY

While the company continues to see a rather rapid reduction of opportunity for its service bureau offering in the US prepaid market as well as globally, its core solutions for Mobile Infrastructure and Mobile Payments position the company to meet the key areas of growth and investment in the global telecom market as noted above.

(4) MEGASOFT Products, Solutions and Business Overview

(A) Solutions

During 2012, the company adjusted its portfolio of solutions, changing its focus on some products and initiatives, while expanding the feature functionality and capabilities of others. All of this leading to a set of solutions that meets the demands of the market and keeps MEGASOFT at the forefront of solution providers in the selected focus areas.

(I) Mobile Infrastructure Solutions

(1) Mobile Service Platform (MSP)

MSP provides a comprehensive and flexible suite of core network infrastructure elements covering both 3G and 4G technologies, Business Support Systems (BSS) and Value Added Services (VAS). Combined with our extensive knowledge and experience in launching mobile solutions, MSP positions new entrants for success.

Launching a successful mobile solution requires service providers to focus on service differentiation and brand marketing, while partnering with experts in mobile networking and service delivery to bring their offering to the market.

The company offers a compelling value proposition to new entrants seeking to generate revenue through a spectrum of advanced mobile services. MSP's mission-critical, highly available components can be used to create end-to-end core network infrastructure. Individual components can be integrated as needed into existing infrastructure and multiple third party applications. The flexibility of the Mobile Services Platform ensures rapid and cost-effective deployment

MSP is comprised of the Core Network and OSS / BSS elements required to roll out a successful mobile service offering:

- Network Elements: HLR / AuC, IN SCP, GGSN, GMSC, EIR, MNP, SIP Session Control, Policy Server, Lawful Intercept, HSS, PGW, SGW, MME, DPI

- Messaging and Media: IVR, SMSC, MMSC, VMS, USSD, WAP Gateway
- Customer and Business Intelligence: BI, Customer Care, Reporting, Subscriber Self Care, Geographical Reporting
- Service Delivery: SDP, Roaming, USSD Callback
- BSS: Real-time Billing, Distribution / Channel Management, E Top-Ups, Vouchers, Revenue Assurance, Fraud Management, Dealer Care, Community Accounts, Diameter Charging, Provisioning, Tariffs, Post Paid Invoicing, AAA / Radius

The company also offers its MSP components on stand-alone basis for carriers.

(2) INfinet Prepaid

The company has helped Mobile Operators in mature and developing markets reach new customers and profitably extend prepaid services into new segments. INfinet provides an integrated platform that enables the quick launch of prepaid services for voice, messaging and data. It supports a variety of service models, including traditional prepaid, hybrid plans and unlimited offerings with premium call restrictions.

INfinet's flexible rating, real-time service control, powerful recharge options, and sophisticated customer care tools support a variety of deployment models that best fit the business plans of wireline and mobile operators. This solution also supports flexible service creation, pay per use, bucket plans, unlimited service models, or anytime rating and charging of convergent services.

(3) Steering of Roaming – PowerRoam

Roaming experiences vary significantly depending on the region of the world to which subscribers travel. The company's PowerRoam (through partner operator in Canada) provides absolute control over out-roaming subscribers by directing them onto preferred roaming partner networks. The solution is utilized by operators and partners globally who leverage our 15 plus years of experience in providing roaming services in a managed service bureau model. With multiple traffic redirection techniques such as priority-based, percentage-based, service type-based, subscriber profile-based and handset-based steering, mobile operators have the scope to negotiate lucrative Inter Operator Tariff with preferred partner networks.

(II) Mobile Commerce Solutions

(1) Domestic & International Channel & Payment Management - Mobile Operators

Electronic recharge and funds transfer are vital to linking together a vast network of cost effective distribution touch-points and subscriber mobile phones. With the continued growth of feature-rich prepaid services and the promise of mobile commerce becoming a reality, the ability to expand, differentiate and manage the electronic top-up business becomes essential. The company provides cutting-edge payment solutions that allow expansion and efficient management of distribution footprint, domestically and internationally.

The company's Payment Manager helps to simplify electronic recharge for the mobile operator as well as subscriber, while also facilitating easy service roll-outs. It is a comprehensive payment solution that enables the creation and management of a wide network of top-up channels, as well as enablement of feature-rich promotions and loyalty programs, thereby positioning the operator's business for better profitability. Its robust capabilities and industry standard interfaces allow for deployment of differentiated services quickly and reliably.

Payment Manager can extend the top-up footprint across international borders and between operators. It provides tools and information needed for safe and secure management of electronic recharge. Payment Manager helps position the mobile operator towards market leadership.

(2) Mobile Wallet – Wireless Wallet

The company provides the technology, know-how and experience to bring together mobile operators, retailers and financial institutions to enable as well as enhance subscribers' mobile wallet, banking and retail experience.

The company provides a wireless wallet to registered mobile phone users attached to their payment account so that it can be used for a wide range of payments such as banking, utility payments, mobile prepaid account recharges or postpaid bill payments. The integrated mobile wallet management capability supports Cash In and Cash Out processes and can be enabled through a retail merchant or an ATM. Furthermore, it extends support for Cash In at retail merchant locations.

Wireless Wallet also allows peer-to-peer transfers for wallet-to-wallet subscribers, wallet-to-bank accounts and vice versa. End user notifications processed in real time create a transaction history while keeping the mobile subscriber informed.

The solution integrates with multiple transaction channel gateways for real-time transaction processing that include SMS, USSD, IVR, STK, WAP, web, ATM and NFC.

(3) Mobile Banking

The company's Mobile Banking platform offers a rich, secure and intuitive experience to retail and corporate banking customers. The platform enables banks in offering state-of-the-art banking services efficiently to diverse customer segments. The comprehensive profile management capability allows in creating and mapping requisite access privileges for various user types.

The solution provides an extensive range of transaction channels including SMS, USSD, IVR, WAP and web for various end user transactions. It extends the convenience of allowing online registered customers a host of services such as account information, payments and transfers, investment banking and other value added services, including but not limited to, loyalty based coupons and discounts, security alerts & payment reminders and location based services such as locating a banking center or ATM.

The service-oriented architecture of the solution facilitates easy integration with partner systems such as bill payment service providers, RTGS clearing and settlement systems as well as ID verification and money laundering crime control systems.

(4) Active Poster for Customer Engagement

Mobile Touch Transaction or MTT with its innovative Active Poster offers businesses a unique opportunity to interact with customers in a way that will increase customer satisfaction and operational efficiency while lowering costs. Active Poster uses Near Field Communication (NFC) technology to transact with NFC enabled phones or smart cards to provide an intuitive user interface for customers to get things done in an easy, fast and efficient manner.

The company's Active Poster is a revolutionary concept that brings all mobile operator services and mobile commerce initiatives to the retail storefront in a single integrated fashion. With this Virtual Mall, mobile operators will be able to sell top-ups, value-added services (ring tones, wall papers, music, among others) at any retail store so that subscribers do not have to go through complicated SMS-based menus to buy services.

Additionally, MTT-AP is also positioned for non-Telco mobile transactions in several other industries, notably food services, university campuses, healthcare and retail. The MTT-AP is now under pilot with some leading companies in these areas in partnership with leading service providers in these industries.

(III) Over The Top Solutions

Business Intelligence & Geo-Referencing

The company offers a complete Business Intelligence option that allows the mining of data and creation of custom views, reports and dashboards – all in an effort to enhance value that one can provide to their subscribers. Utilizing BI tools native to the database technology embedded in our solutions, we can quickly and efficiently provide access to vital business information.

In geo-referencing, the company combines its Business Intelligence capabilities with map vendors who can add geo-coding coordinates based on address information to create a map level view of information. Some of our customers are using this capability to track their distribution network performance.

(B) Business Strategy and Priorities for 2013

With the loss of the major prepaid customer by end of 2011, the company saw its prepaid revenues decline in the US during 2012 and it expects this trend to continue in 2013 as well. Market consolidation, continued increase in all-you-can-eat plans and decrease of pure prepaid offerings, as well as expanded demand for data and content, mandate that the prepaid business and revenue be replaced with solutions that will be the revenue engines for the company. In 2013, the company will execute on its four-pronged approach to growing the business:

(1) Focus on Mobile Infrastructure

With the forecast of continued mobile network infrastructure spending around the globe in 2013, the company is well positioned with its MSP solution to further address this area of need in the market. Our success to date has been in Asia and the Middle East and the company has a strong sales pipeline for MSP in Asia, Middle East and Africa, developed through both direct and channel partner sales efforts, in-country agents, as well as NEPs (as we help fill a niche for them with smaller carriers). We will continue to expand our channels to further increase our global reach.

Additionally, the MSP solution is continuously being enhanced with increased feature / functionality, expanded network components, multi-network technology and generation support. This has been accomplished with R&D investment culminating with the recent release of MSP 4.0, partnership with leading 4G EPC and MSC companies, as well as certification through Oracle to demonstrate MSP's readiness to support mobile operator needs for on-demand growth and expansion. Such development enhancement and partnership will continue to allow the company to expand its offering in the mobile infrastructure market. The company's MSP delivers quality, reliable, dependent and easily expandable mobile services that allow multiple types of companies to deliver their customers the solutions and services demanded in the market today.

For its MSP platform, the company, targets the MVNE / MVNO segment, Large Carrier wholesale divisions, Small Carriers and the M2M segments. Additionally, MSP's expansion to support 4G opens up additional target markets for the solution sales:

- Tier 1 Mobile Operators looking to reduce their LTE migration costs. This solution offers On-Demand 4G SDN Virtual Packet Core as well as a complete suite of 4G/LTE network components.
- Converged broadband providers with 4G/LTE spectrum that wish to launch a combined 4G service with 3G failover capability.

(2) Focus on Mobile Payments

There is significant demand and opportunity for mobile payments and NFC in the market today – from the GSMA mobile banking services push to governments around the world which are attempting to address banking for the unbanked, payment of government pension and subsidy disbursement and more. The company's Mobile Commerce solutions are poised to address these needs. Our success to date has primarily been in Latin America with our Payment Management solutions and we see continued growth opportunity in this region as well as in Africa. Our sales pipeline in this area is active and we are expanding our reach through both direct and channels sales efforts.

Our portfolio of mobile payment solutions continues to grow, fueled by existing customer demand and market need. With its complete range of Mobile Payments solution, the company today targets, M-Wallet, m-Banking and Banking for the unbanked, Mobile Money & Mobile Wallet, Retail Payment acquiring as well as channel transaction management

(3) New Products

The company has identified several opportunity areas and will deliver two new solutions to the market in 2013.

(4) Telecom Infrastructure Services & Consulting

The company will expand its existing services and consulting efforts in the coming year in a variety of areas. With its vast experience in Telecom infrastructure & Networks market, the company is offering turnkey solutions in the areas of Network Management and NOC operations, Network Optimization and Audit as well Network Planning. The company also offers business consulting and end-to-end operations management services for green field networks and MVNEs / MVNOs.

Other consulting opportunities have also been identified in the area of mobile banking as there appears to be a latent demand in developing countries for expertise and guidance in the development and launch of mobile banking programs and services.

(C) Operational Priorities

The company's key strength remains its R&D capabilities. Investment and expansion in the growth solution areas of mobile infrastructure and mobile payments will continue to bolster our solutions' standings as compared to our competition and the needs of the market. Additionally, the company will continue to further expand and upgrade its R&D center and infrastructure capabilities to enable the launch of two new market offerings in 2013.

The company will also continue to rationalize and optimize its operations capabilities. As one solution area wanes (Prepaid) and others expand, we will adjust our data center operations, operations skill sets, and offerings to match the needs of the market.

Additionally, the company will continue its tight cost controls, debt reduction and repayment as well as monetization of some of its real estate assets in 2013.

With the above, we believe that execution of the four-pronged approach to growth in 2013 will be a success.

(D) Sources Of Revenue

The company derives revenues through the following revenue models:

- Hosted managed Services (ASP)

  The Company operates its platform end-to-end on data centers and gets paid monthly based on a revenue-share or per-subscriber transaction fee model around a multi-year contract. This accounts for more than 70 percent of revenues. The company also normally charges an upfront technology implementation fee from ASP customers.

- Software licensing

  The company also offers its platforms on a capacity licensing basis to mobile operators, wherein its platforms are installed in the carrier's premises in return for a one-time license fee for a stated subscriber capacity.

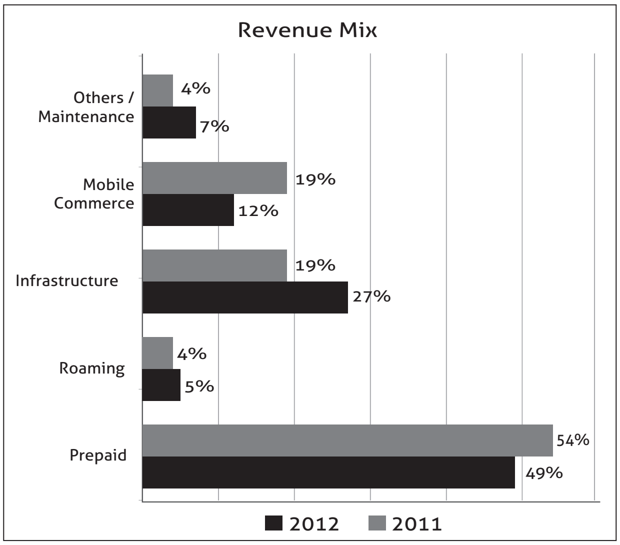
- Share of transaction revenues

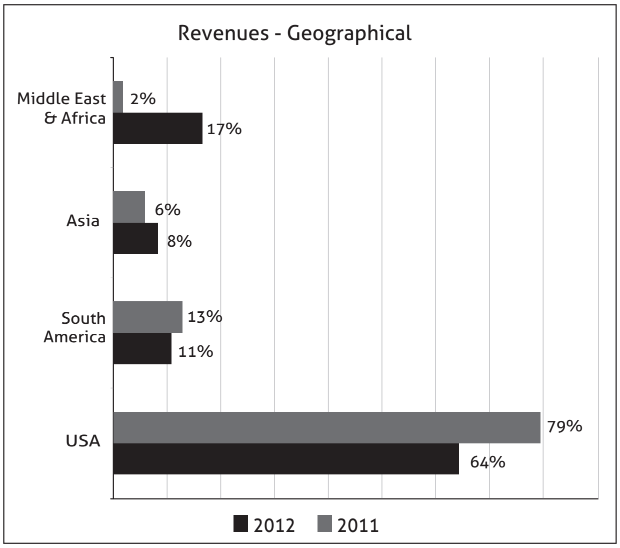
  In the mobile transactions market place, the company also earns from a share in transactions and this revenue stream is expected to contribute significantly to the overall revenues in the coming year.

- Services, Maintenance and customization

  The company also realizes revenues derived from customizing its platforms to suit specific service needs of carrier customers. This is a steady revenue source with AMCs (Annual Maintenance Contracts).

(5) Segment-wise performance





(6) Outlook

The global economic downturn and slight recent recovery have hindered, and continue to limit, capital availability to the Telecom industry. However, there are still areas of mobile operator investment for which the company has existing solutions and capabilities, namely in 4G LTE mobile infrastructure and mobile commerce. Earlier investment of resources, as well as implementations that we have leveraged to expand our knowledge and expertise, have enabled the company to position itself with a solution suite to meet the needs of the market.

(7) Risks and concerns

The company's management embarked on a number of initiatives to manage business risks (given below):

7.1 Market risk

The Company's growth is dependent on Mobile Telecom industry growth. The telecom industry has historically suffered from an extended sales cycle and high debtors' position, detrimental to cash flows. With the macroeconomic situation still fluid and the telco industry facing falling ARPUs worldwide, sustained capital expenditure in the mobile industry remains uncertain and this may affect the company's performance. The company is also aiming at non-telco customers for its mobile transactions platforms. While this reduces the company's sole dependence on mobile telco's for its revenues, it may also pose unknown challenges and risks due to the company's lack of experience in these segments.

7.2 Protection of Intellectual Property Rights

In a knowledge-driven business, the primary responsibility is to safeguard intellectual property. The company encourages employees to ideate and file patents to protect intellectual property. Megasoft applied for 105 patents in the last few years, of which 26 were granted by the USPTO.

7.3 Litigation

There is an increasing trend towards litigation regarding intellectual property rights, patents and trademarks in the software and telecom industry. There are also other corporate legal risks including contractual performance and product performance. Currently, the company is not engaged in any material litigation pending against it in any court in India or abroad. The Company has an insurance policy in place to mitigate these risks.

7.4 Foreign exchange fluctuation risks

The company enjoys a substantial exposure to foreign exchange-related risks on account of earnings denominated in foreign currencies by exporting software, products and solutions. A majority of the company's revenues are US dollar-denominated; the continued depreciation of the Indian rupee vis-à-vis the US$ can result in much higher interest and capital repayment outflows for the company. Also, such huge fluctuations make revenue and profit projections more unpredictable.

7.5 Client Concentration Risk

As already seen in 2011, wherein the loss of one of the largest clients resulted in a decline in revenues, the company's top five clients contribute to more than 50 percent of its revenues (which is significantly lower than the previous year), resulting in high dependency on these clients. The company expanded its sales focus on new geographies and market segments and will expand its revenue base and achieve a better spread in revenues and clients.

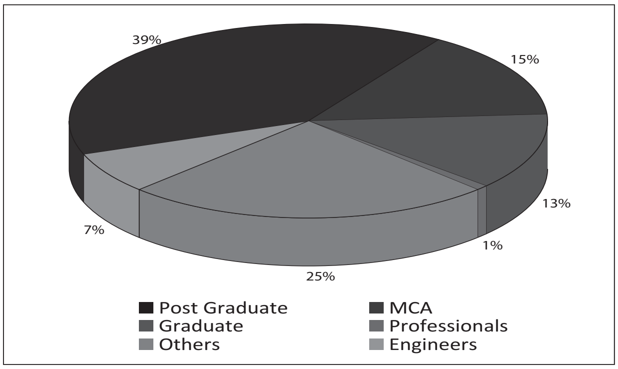
(8) Internal controls

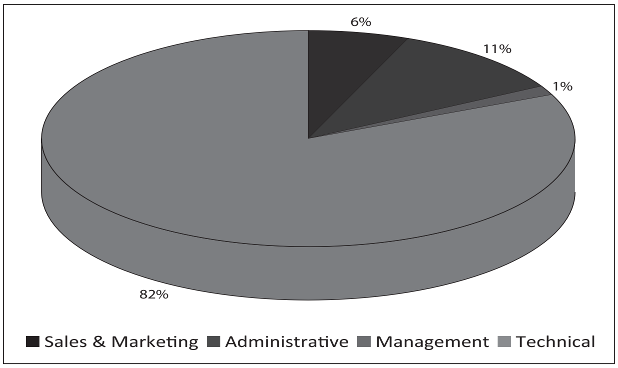
The company possessed an adequate system of internal controls to safeguard assets. Checks and balances were in place and reviewed at regular intervals to ensure that transactions were properly authorized and reported correctly. The Audit Committee, in consultation with Internal Auditors, reviewed the internal control systems at regular intervals and initiated corrective action(s) wherever deemed necessary.

Additionally, the company has already initiated a corporate management initiative to define best practices in processes, methodologies, systems and metrics with a specific focus on customer interaction and service delivery. The company commissioned a new research and development organization with supporting processes, customer support, managed services processes, management reporting and control systems (MRCS) and automation. Going forward, the company will regularly assess risks and controls for existing and new process flows.

(9) Human assets

The company enjoys cordial relationships with employees as it endeavors to provide them with a professionally rewarding and enriching work environment. The company possesses an effective performance management system that focuses on employee development, measuring key result areas, competencies and training needs. The company advocates work-life balance and welfare activities that enhance team cohesiveness.





[1] http://www.isuppli.com/Mobile-and-Wireless-Communications/News/Pages/LTE-Expected-to-Dominate-Wireless-Infrastructure-Spending-by-2013.aspx

The year under review

The financial statements complied with the requirements of the Companies Act, 1956, and the Generally Accepted Accounting Principles (GAAP) in India.

FINANCIAL PERFORMANCE (CONSOLIDATED)

Share capital

There was no change in the company's share capital during the financial year under review.

Reserves and surplus

The movement in Foreign Currency Translation Reserve during the financial year under review was due to rupee depreciation against US$.

The profit earned during the year has been carried forward in full and hence, there is an increase in closing balance in Consolidated Profit & Loss Account.

Borrowings

	Short term debt		Long term debt		Total debt	
	As at 31 December					
	2012	2011	2012	2011	2012	2011
	₹ 000s	₹ 000s	₹ 000s	₹ 000s	₹ 000s	₹ 000s
Finance lease obligations	1,090	1,405	2,153	3,243	3,243	4,648
Secured - Current maturities of long-term debt from Bank	164,332	372,862			164,332	372,862
Secured - Working Capital / Demand loan from Bank	674,992	393,016			674,992	393,016
Unsecured - from bodies corporate	233,316	227,316			233,316	227,316
Total	**1,073,730**	**994,599**	**2,153**	**3,243**	**1,075,883**	**997,842**

The long term debt from bank was repaid to the extent of US$ 4 million during the year and the balance debt at the end of year was US$ 3 million. The company availed a loan of ₹270 million for augmenting additional working capital requirement for a new project.

The unsecured loans increased due to rupee deprecation against US$. In real terms, there was no additional borrowing during the year.

Deferred tax liability / asset

The deferred tax liability (net) was ₹ 5 million (previous year ₹ 3 million) at the end of the financial year.

Current liabilities

The increase in current liabilities from ₹ 163 million in 2011 to ₹ 333 million in 2012 was on account of the change of company's policy of payment of employee salaries to beginning of the following month, purchases for a new contract execution at the end of the financial year and otherwise in the normal course of business.

Provisions

	Short term debt		Long term debt		Total debt	
	As at 31 December					
	2012	2011	2012	2011	2012	2011
	₹ 000s	₹ 000s	₹ 000s	₹ 000s	₹ 000s	₹ 000s
Provision for retirement benefits	583	4,348	12,595	10,116	13,178	14,464

The movement in the provisions was in the normal course of business.

Fixed assets

The fixed asset additions of ₹ 56 million (previous year ₹ 281 million) was in the normal course of business.

Goodwill on consolidation

Goodwill on consolidation was on account of accumulated losses in the overseas companies on the date of their acquisition and the excess consideration paid over and above their respective capital.

Investments

No additional investments were made during the financial year under review.

Trade receivables

Trade receivables (net of provisions) stood at ₹ 648 million as against ₹ 512 million in the previous year. The increase in trade receivables was mainly on account of delayed collections.

Cash and bank balances

The increase in cash and bank balances from ₹ 85 million in 2011 to ₹ 195 million in 2012 was mainly on account of the funds received from the customer during the end of the year and the change of company's policy of payment of employee salaries in India to beginning of the following month.

Short term loans and advances

The short term loans and advances increase from ₹ 479 million in 2011 to ₹ 546 million in 2012 was in the normal course of business.

Results of operations (consolidated)

	for the year ended	
	31 December 2012	31 December 2011
	₹ million	₹ million
Revenues	**1,154**	1,504
EBIDTA	**217**	406
Finance cost	**106**	98
Depreciation	**123**	129
Profit before tax	**16**	181
Less: Taxes	**4**	6
Profit after tax	**12**	175

Revenues

The company's consolidated revenues declined from ₹ 1,504 million in 2011 to ₹ 1,154 million in 2012. The reduction in revenues was on account of a customer not renewing their contract during the last quarter of 2011.

Other Income / (Expenses)

The foreign exchange gain (net) of ₹ 30 million in 2012 as against ₹ 72 million in the previous financial year was due to rupee depreciation against US$.

Operating expenses

The decline in operating expenses from ₹ 1,098 million in 2011 to ₹ 937 million in 2012 was on account of the economical measures initiated / implemented by the company during the year post loss of a major contract during the last quarter of 2011.

Finance cost

The increase in finance cost from ₹ 98 million in 2011 to ₹ 106 million in 2012 was due to rupee depreciation against US$.

Depreciation

Depreciation was charged on a pro-rata basis on fixed assets purchased / sold during the year. Depreciation on assets acquired under finance lease / hire purchase was provided using the straight-line method over the shorter of the lease / hire purchase term and useful life of the asset. The depreciation charge was lower at ₹ 123 million as against ₹ 129 million in the previous financial year which was in the normal course of business.

FINANCIAL PERFORMANCE (STANDALONE)

Share capital

There was no change in the company's share capital during the financial year under review.

Reserves and surplus

The profit earned by the company during the year has been carried forward in full and hence there is an increase in closing balance in Profit & Loss Account.

Borrowings

	Short term debt		Long term debt		Total debt	
	As at 31 December					
	2012	2011	2012	2011	2012	2011
	₹ 000s	₹ 000s	₹ 000s	₹ 000s	₹ 000s	₹ 000s
Finance lease obligations	1,090	1,405	2,153	3,243	3,243	4,648
Secured - Working Capital / Demand loan from Bank	401,105	126,686	—	—	401,105	126,686
Unsecured - from bodies corporate	15,850	15,850	—	—	15,850	15,850
Total	**418,045**	**143,941**	**2,153**	**3,243**	**420,198**	**147,184**

The company availed a loan of ₹ 270 million for augmenting additional working capital requirement for a new project.

There is no movement in unsecured loans during the year.

Deferred tax liability/asset

The deferred tax liability (net) was ₹ 5 million (previous year ₹ 3 million) at the end of the financial year.

Current liabilities

The increase in current liabilities from ₹ 44 million in 2011 to ₹ 50 million in 2012 was in the normal course of business.

Provisions

	Short term debt		Long term debt		Total debt	
	As at 31 December					
	2012	2011	2012	2011	2012	2011
	₹ 000s	₹ 000s	₹ 000s	₹ 000s	₹ 000s	₹ 000s
Provision for retirement benefits	583	4,348	12,595	10,116	13,178	14,464

The movement in the provisions was in the normal course of business.

Fixed assets

The fixed asset additions of ₹ 7 million (previous year ₹ 25 million) was in the normal course of business.

Investments

A part of the existing advance to a wholly owned subsidiary in USA has been converted into capital during the year. Otherwise, no additional cash investments were made by the company during the financial year under review.

Trade Receivables

Trade receivables (net of provisions) were ₹ 547 million as against ₹ 449 million in the previous year. The increase in trade receivables was mainly on account of delayed collections.

Cash and bank balances

The increase in the cash and bank balances from ₹ 11 million in 2011 to ₹ 20 million in 2012 was in the normal course of business.

Short term loans and advances

The decrease in short term loans and advances from ₹ 810 million in 2011 to ₹ 468 million in 2012 was due to a part of the existing advance to a wholly owned subsidiary in USA converted into capital during the year.

Result of Operations (Standalone)

	for the year ended	
	31 December 2012	31 December 2011
	₹ million	₹ million
Revenues	**462**	501
EBIDTA	**54**	107
Finance cost	**33**	28
Depreciation	**34**	41
Profit before tax	**16**	61
Less: Taxes	**4**	6
Profit after tax	**12**	55

Revenues

Revenues decreased from ₹ 501 million in 2011 to ₹ 462 million in 2012. The reduction in revenues was on account of a customer not renewing their contract during the last quarter of 2011.

Other Income / (Expenses)

The company had a foreign exchange gain (net) of ₹ 30 million in 2012 as against of ₹ 72 million in 2011 due to rupee depreciation against US$.

Operating expenses

The increase in operating expenses from ₹ 394 million in 2011 to ₹ 407 million in 2012 was on account of a new project being executed directly out of India and rental expenses for the full year in 2012 for Hyderabad premises.

Finance cost

The increase in finance cost from ₹ 28 million in 2011 to ₹ 33 million in 2012 as the company had availed FCNR loans as part of working capital facility during the previous year as the exchange rates were then favourable.

Depreciation

Depreciation was charged on a pro-rata basis on fixed assets purchased / sold during the year. Depreciation on assets acquired under finance lease / hire purchase is provided using the straight-line method over the shorter of the lease / hire purchase term and useful life of the asset. The depreciation charge decreased from ₹ 41 million in 2011 to ₹ 34 million in 2012 in the normal course of business.

Chief Executive Officer (CEO) and Chief Financial Officer (CFO) Certification

We, the undersigned, in our respective capacities as Chief Executive Officer and Chief Financial Officer of Megasoft Limited ("the Company"), to the best of our knowledge and belief certify that:

(1) we have reviewed the financial statements and the cash flow statement for the financial year ended 31 December 2012 and based on our knowledge and belief, we state that;

  (i) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading; and

  (ii) these statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.

(2) there are no transactions entered into by the company during the year which are fraudulent, illegal or violative of the company's code of conduct;

(3) we are responsible for establishing and maintaining internal controls and for evaluating the effectiveness of the same over the financial reporting of the Company and have disclosed to the Auditors and the Audit Committee, deficiencies in the design or operation of internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies;

(4) we have indicated, based on our most recent evaluation, wherever applicable, to the Auditors and Audit Committee:

  (i) significant changes, if any, in the internal control over financial reporting during the year;

  (ii) significant changes, if any, in the accounting policies made during the year and that the same has been disclosed in the notes to the financial statements; and

  (iii) instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having significant role in the Company's internal control system over financial reporting.

Hyderabad
23 February 2013

GV Kumar
Managing Director

GP Srinath
Vice-President (Finance) &
Company Secretary

Declaration regarding compliance by Board members and senior management personnel with the company's code of conduct

This is to confirm that the company has adopted a Code of Conduct for the Board of Directors and senior management of the company. The same is available on website of the company at www.megasoft.com. As Managing Director of Megasoft Limited and as required by clause 49(I)(D)(ii) of the Listing Agreement of the Stock Exchanges in India, I hereby declare that all the Board members and senior management personnel of the company have affirmed compliance with the Code of Conduct for the financial year 2012.

Hyderabad
23 February 2013

GV Kumar
Managing Director

Auditors' Certificate on Corporate Governance

To the Members of Megasoft Limited

We have examined the compliance of conditions of Corporate Governance by Megasoft Limited, for the year ended 31 December 2012, as stipulated in Clause 49 of the Listing Agreement of the said compliance with the Stock Exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the company has complied in all material respect with the conditions of Corporate Governance as stipulated in the above-mentioned Listing Agreement.

We state that no investor grievance is pending for a period exceeding one month against the company as certified by the share transfer agents of the company, based on the records maintained by them.

We further state that such compliance is neither an assurance as to the future viability of the company nor the efficiency or effectiveness with which the management has conducted the affairs of the company.

for **Srikanth & Shanthi Associates**
Chartered Accountants
Firm Registration No.004006S

MC Srikanth
Partner
Membership No.018588

for **TN Rajendran & Co.**
Chartered Accountants
Firm Registration No.005080S

TN Rajendran
Partner
Membership No.028778

Hyderabad
23 February 2013

Auditors' Report

To the Board of Directors of Megasoft Limited on the Consolidated Financial Statements of Megasoft Limited and its subsidiary companies

We have examined the attached consolidated balance sheet of Megasoft Limited ("the Company") and its subsidiary companies (collectively called "the Megasoft Group") as of 31 December 2012 and the consolidated profit and loss account and the consolidated cash flow statement for the year ended on that date, annexed thereto.

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are prepared in all material respects, in accordance with an identified financial reporting framework generally accepted in India and are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We did not audit the financial statements of the subsidiary companies, whose financial statements reflect total assets of ₹ 1,318 million as at 31 December 2012 and total revenues of ₹ 897 million for the year ended on that date. These financial statements have been audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included in respect of the subsidiary companies, is based solely on the report of the other auditors.

We report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standard 21 - Consolidated Financial Statements prescribed by the Companies (Accounting Standards) Rules, 2006.

On the basis of the information and explanations given to us and on the consideration of the separate audit reports on individual audited financial statements of the Megasoft Group, we are of the opinion that:

(i) the consolidated balance sheet gives a true and fair view of the consolidated state of affairs of the Megasoft Group as at 31 December 2012;

(ii) the consolidated profit and loss account gives a true and fair view of the consolidated results of operations of the Megasoft Group for the year ended on that date; and

(iii) the consolidated cash flow statement gives a true and fair view of the consolidated cash flows of the Megasoft Group for the year ended on that date.

for **Srikanth & Shanthi Associates**
Chartered Accountants
Firm Registration No.004006S

MC Srikanth
Partner
Membership No.018588

for **TN Rajendran & Co.**
Chartered Accountants
Firm Registration No.005080S

TN Rajendran
Partner
Membership No.028778

Hyderabad
23 February 2013

Consolidated Balance Sheet

	Note	As at 31 December 2012 ₹ 000s	As at 31 December 2011 ₹ 000s
Equity and Liabilities			
Shareholders' Funds			
(a) Share Capital	3	442,673	442,673
(b) Reserves & Surplus	4	1,695,774	1,699,225
		2,138,447	2,141,898
Non-Current liabilities			
(a) Long-term borrowings	5	2,153	3,243
(b) Deferred tax liabilities (Net)	6	5,429	3,175
(c) Long-term provisions	7	12,595	10,116
		20,177	16,534
Current Liabilities			
(a) Short-term borrowings	8	908,308	620,332
(b) Trade payables	9	170,452	56,679
(c) Other current liabilities	10	327,912	480,810
(d) Short-term provisions	11	37,251	39,392
		1,443,923	1,197,213
		3,602,547	**3,355,645**
Assets			
Non-current assets			
(a) Fixed Assets	12		
(i) Tangible assets		984,157	1,047,474
(ii) Intangible assets		91,814	95,153
(b) Non-current investments	13	121,230	121,230
(c) Goodwill on consolidation	14	1,015,750	1,015,750
		2,212,951	2,279,607
Current Assets			
(a) Trade receivables	15	648,801	512,398
(b) Cash and cash equivalents	16	195,087	84,670
(c) Short-term loans and advances	17	545,708	478,970
		1,389,596	1,076,038
		3,602,547	**3,355,645**
Significant Accounting policies	2		

The accompanying notes are an integral part of the consolidated financial statements.

As per our Report of even date attached

for **Srikanth & Shanthi Associates**
Chartered Accountants
Firm Registration No.004006S

MC Srikanth
Partner
Membership No.018588

for **TN Rajendran & Co.**
Chartered Accountants
Firm Registration No.005080S

TN Rajendran
Partner
Membership No.028778

For and on behalf of the Board of Directors

GV Kumar
Managing Director

D Sudhakar Reddy
Director

GP Srinath
Vice-President (Finance) &
Company Secretary

Hyderabad
23 February 2013

Consolidated Profit & Loss Account

	Note	for the year ended 31 December 2012	31 December 2011
		₹ 000s	₹ 000s
Income			
Revenue from operations		1,153,975	1,503,661
Other Income / (Expenses)	18	30,589	72,077
Total Income		**1,184,564**	**1,575,738**
Expenses			
Employee benefits expense	19	504,737	578,092
Finance cost	20	105,778	97,830
Depreciation	12	123,326	129,016
Other expenses	21	434,403	589,761
Total Expenses		**1,168,244**	**1,394,699**
Profit			
Profit before tax		16,320	181,039
Less: Taxes	22	4,653	6,121
Profit for the period		11,667	174,918
Earnings per share	23		
(equity shares, par value ₹ 10 each)			
Basic (₹)		0.26	3.95
Diluted (₹)		0.25	3.87
Number of shares used in computing			
Basic		44,267,293	44,267,293
Diluted		45,818,293	45,165,293
Significant Accounting policies	2		

The accompanying notes are an integral part of the consolidated financial statements.

As per our Report of even date attached

for **Srikanth & Shanthi Associates**
Chartered Accountants
Firm Registration No.004006S

for **TN Rajendran & Co.**
Chartered Accountants
Firm Registration No.005080S

MC Srikanth
Partner
Membership No.018588

TN Rajendran
Partner
Membership No.028778

For and on behalf of the Board of Directors

GV Kumar
Managing Director

D Sudhakar Reddy
Director

GP Srinath
Vice-President (Finance) &
Company Secretary

Hyderabad
23 February 2013

Consolidated Cash Flow Statement

	for the year ended	
	31 December 2012	31 December 2011
	₹ 000s	₹ 000s
Cash flows from operating activities		
Profit before taxation	16,320	181,039
Adjustments for:		
Depreciation & Amortisation	123,326	129,016
Loss / (Profit) on sale / discard of Fixed Assets	—	4,419
Provision for retirement benefits	(1,286)	1,953
Exchange differences on translation (net)	(15,118)	* 29,055
Bad debts written-off	59,862	21,164
Provision for Doubtful Debts	(57,868)	48,632
Interest received	(870)	(213)
Finance cost	105,778	97,830
Operating profit before working capital changes	**230,144**	**512,895**
(Increase) / Decrease in Trade Receivables	(138,397)	(87,149)
(Increase) / Decrease in Short Term Loans & Advances	(65,248)	12,520
(Decrease) / Increase in Current Liabilities	(39,125)	* 273,871
Taxes paid during the year	(2,265)	(6,636)
Net cash provided by operating activities	**(14,891)**	**705,501**
Cash flows from investing activities		
Purchase / acquisition of Fixed Assets	(56,670)	(280,717)
Interest received	870	213
Net Cash used for investing activities	**(55,800)**	**(280,504)**
Cash flows from financing activities		
Increase / (Decrease) in Short Term Borrowings	287,976	* (12,296)
Increase / (Decrease) in Long Term Borrowings	(1,090)	* (310,127)
Finance cost	(105,778)	(97,830)
Net cash provided by financing activities	**181,108**	**(420,253)**
Net increase in cash & cash equivalents	110,417	4,744
Cash & Cash equivalents at the beginning of the year	84,670	79,926
Cash & Cash equivalents at the end of the year	**195,087**	**84,670**

* foreign exchange translation has been realigned in the previous year

As per our Report of even date attached

for **Srikanth & Shanthi Associates**
Chartered Accountants
Firm Registration No.004006S

MC Srikanth
Partner
Membership No.018588

for **TN Rajendran & Co.**
Chartered Accountants
Firm Registration No.005080S

TN Rajendran
Partner
Membership No.028778

For and on behalf of the Board of Directors

GV Kumar
Managing Director

D Sudhakar Reddy
Director

GP Srinath
Vice-President (Finance) &
Company Secretary

Hyderabad
23 February 2013

Notes to the consolidated financial statements

[All amounts in the financial statements are presented in Rupees (₹) thousands and as otherwise stated]

(1) Corporate Information

Megasoft Limited, a public limited company domiciled in India and incorporated under the provisions of the Companies Act, 1956, on 29 June 1999 and is having its registered office in Chennai. The company's shares are listed on Madras Stock Exchange, The National Stock Exchange and The Bombay Stock Exchange in India. The company is a unique Indo-American trans-national company that combines the best practices of both cultures (Indian and American), creating a high quality and cost effective entity with a focus on the global telecommunications domain.

Megasoft Limited ("the Company") together with its subsidiary companies (collectively "the Group") are engaged in the business of providing Information Technology services to customers.

Name of the wholly owned subsidiary companies	Country of Incorporation	% holding
Megasoft Consultants Sdn Bhd	Malaysia	100
Megasoft Consultants Pte Ltd	Singapore	100
XIUS Holding Corp (f/k/a Boston Communications Group, Inc.)	USA	100
Xius Corp (f/k/a Cellular Express, Inc.)	USA	100
BCGI Wireless Private Limited	India	100

(2) Significant Accounting policies

(i) Basis of preparation of consolidated financial statements

The financial statements are prepared in accordance with Indian Generally Accepted Accounting Principles ("GAAP") under the historical cost convention on the accrual basis. GAAP comprises mandatory accounting standards as specified in the Companies (Accounting Standards) Rules, 2006 and guidelines issued by the Securities and Exchange Board of India. Accounting policies have been consistently applied except where a newly issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use. Management evaluates all recently issued or revised accounting standards on an on-going basis.

The financial statements are prepared in accordance with the principles and procedures required for the preparation and presentation of consolidated financial statements as laid down under the accounting standard on Consolidated Financial Statements as specified in the Companies (Accounting Standards) Rules, 2006. The financial statements of Megasoft Limited and its subsidiaries have been combined on a line-by-line basis by adding together book values of like items of assets, liabilities, income and expenses after eliminating intragroup balances and transactions and resulting unrealized gain / loss. The consolidated financial statements are prepared by applying uniform accounting policies in use at the Group. Minority interests have been excluded. Exchange difference resulting from the difference due to translation of foreign currency assets and liabilities in subsidiaries is disclosed as foreign currency translation reserve.

(ii) Use of Estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent liabilities at the date of financial statements and the reported amounts of revenues and expenses during the reporting period. Examples of such estimates include estimates of carrying value of work in progress, provision for doubtful debts and useful life of fixed assets. Actual results could differ from estimates.

(iii) Revenue Recognition

Revenue from software development on the time and material basis is recognised based on software developed and billed to clients as per the terms of specific contracts. In the case of fixed-price contracts, revenue is recognised based on the milestones achieved as specified in the contracts or on the percentage of completion basis. Provision for estimated losses on incomplete contract is recorded in the period in which such losses become probable based on the current estimates. Revenues from product licenses and related revenues are recognised as follows:

- Licence fees, on delivery and subsequent milestone schedule as per the terms of the contract with the end user.
- Product maintenance revenues, over the period of the maintenance contract.

(iv) Fixed Assets & Depreciation

Fixed assets are stated at cost of acquisition less accumulated depreciation. Direct costs such as freight, installation costs, duties and taxes are included in the cost of the asset until the assets are ready to be put to use. Assets acquired under hire purchase / leases are capitalized and the corresponding liability is recorded at an amount equal to the fair value of the hired / leased asset or the present value of the minimum hire / lease payments, whichever is lower, at the inception of the lease / hire purchase. Lease rentals in respect of leased assets are charged to Profit and Loss Account. Initial costs incurred in connection with specific leasing / hire purchase activities directly attributable to activities performed for a finance lease / hire purchase are included as part of the amount recognised as an asset under the lease / hire purchase.

Depreciation on fixed assets is provided using the straight-line method in accordance with the rates specified under the local laws of the respective countries. Depreciation is charged on a pro-rata basis on fixed assets purchased / sold during the period. Depreciation on assets acquired under finance lease / hire purchase is provided using the straight-line method over the shorter of the lease / hire purchase term and useful life of the asset.

(v) Investments

Investments in other companies are classified as long-term investments and are stated at cost. Any diminution in value is to be determined for each investment individually on the basis of its expected benefits to the company. The exact quantum of such benefits is dependent on a number of uncertain future events.

(vi) Foreign Currency transactions

The Consolidated Financial Statements are prepared in Indian Rupees, which is the functional currency for Megasoft Limited. The translation of the functional currencies into the reporting currency is performed for assets and liabilities of the foreign subsidiary companies currency using the current exchange rates in effect at the balance sheet date, for revenues, costs and expenses using average exchange rates prevailing during the reporting periods and for share capital, using the exchange rate at the date of the transaction. The resultant translation exchange gain/loss has been disclosed as "Foreign Currency Translation Reserve" under "Reserves & Surplus".

All income and expenditure transactions of the foreign branch during the year are included in these accounts at the average rate of exchange. Monetary assets and liabilities at rates prevailing on the balance sheet date. Non-monetary assets and liabilities are translated at the rate prevailing on the date of the transaction. Depreciation is translated at the rates used for the translation of the values of the assets on which depreciation is computed. Net gain/loss on foreign currency translation is recognised in the Profit & Loss Account.

In case of forward exchange contract or any other financial instruments that is in substance a forward exchange contract to hedge the foreign currency risk which is on account of firm commitment and / or is a highly probable forecast transaction, the premium or discount arising at the inception of the contract is amortised as expense or income over the life of the contract.

Gains / Losses on settlement of transaction arising on cancellation or renewal of such a forward exchange contract are recognised as income or expense for the period.

In all other cases the gain or loss on contract is computed by multiplying the foreign currency amount of the forward exchange contract by the difference between the forward rate available at the reporting date for the remaining maturity of the contract and the contracted forward rate (or the forward rate last used to measure a gain or loss on that contract for an earlier period) is recognised in the profit and loss account for the period.

(vii) Retirement benefits

India

Contributions to provident fund are deposited with a recognised provident fund. Provision for gratuity and leave encashment is made on the basis of an actuarial valuation.

Subsidiary companies

Retirement benefits are provided to employees of subsidiary companies in accordance with the local laws and regulations prevailing in the country in which the subsidiary company is located.

(viii) Borrowing cost

Borrowing costs other than those directly attributable to qualifying Fixed Assets are recognised as an expense in the period in which they are incurred.

(ix) Taxes

Current tax

Current tax is measured at the amount expected to be paid out or recovered from the tax administration adopting the applicable rates in force.

Deferred tax

Deferred tax charge or credit reflects the tax effects of timing differences between accounting income and taxable income for the period. The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised using the tax rates that have been enacted or substantially enacted by the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in future. However, where there is unabsorbed depreciation or carry forward of losses, deferred tax assets are recognized only if there is virtual certainty of realisation of such assets. Deferred tax assets are reviewed at each balance sheet date and written down or written up to reflect the amount that is reasonable / virtual certainty (as the case may be) to be realised.

The break-up of major components of the deferred tax assets and liabilities as of each year year-end Balance Sheet date have been arrived at after setting off deferred tax assets and liabilities where the Group has a legally enforceable right to set-off assets against liabilities and where such assets and liabilities relate to taxes on income levied by the same governing laws.

		As at	
		31 December 2012	31 December 2011
		₹ 000s	₹ 000s
(3)	**Share Capital**		
	Authorised		
	75,000,000 Equity Shares of ₹ 10 each	750,000	750,000
		750,000	**750,000**
	Issued, Subscribed & Paid-up		
	44,267,293 Equity Shares of ₹ 10 each fully paid-up	442,673	442,673
		442,673	**442,673**

The company has only one class of shares referred to as equity shares having a par value of ₹ 10. Each holder of the equity share, as reflected in the records of the company as of the date of the shareholder meeting, is entitled to one vote in respect of each share held for all matters submitted to vote in the shareholder meeting.

The company declares and pays dividends in Indian rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the Annual General Meeting.

In the event of liquidation of the company, the holders of equity shares will be entitled to receive any of the remaining assets of the company after distribution of all preferential amounts. However, no such preferential amounts exists currently. The distribution will be in proportion to the number of equity shares held by the shareholders.

Equity shareholder holding more than 5 percent of equity shares along with the number of equity shares held at the beginning and at the end of the period is as given below:

	As at			
	31 December 2012		31 December 2011	
	No of shares	%	No of shares	%
S.Ravindra Babu	1,971,870		1,971,870	
S Ravindra Babu	16,898		16,898	
Ravindra Babu S (HUF)	1,212,126		1,212,126	
	3,200,894	7.23	3,200,894	7.23
GV Kumar	2,226,911	5.03	2,226,911	5.03
I Labs Venture Capital Fund	3,762,375	8.50	3,762,375	8.50
Ashish Dhawan	3,554,769	8.03	3,554,769	8.03

The company has not allotted any equity shares by way of bonus shares nor has bought back any equity shares during the period of five years immediately preceding the balance sheet date. The company has not allotted any equity shares without payment being received in cash during the period of five years immediately preceding the balance sheet date.

Employees Stock Option Plans

The company has two stock option plans that provide for the granting of stock options to employees / directors of the company and its subsidiaries (not being promoter directors of the company). The objectives of these plans include attracting and retaining the best personnel, providing for additional performance incentives and promoting the success of the company by providing employees the opportunity to acquire equity shares. Remuneration / Compensation Committee administers all these stock options under various plans. The stock option plans are summarised below:

(i) Associates Stock Option Plan 2004

The shareholders of the company in the AGM held on 18 June 2004 approved an Associate Stock Option Plan (ASOP-2004). The ASOP-2004 provides for issue of 755,000 equity shares of ₹ 10 each to the employees including directors at the market price of the shares on the date of grant.

At the AGM held on 22 June 2006, the exercise price of the options to be granted was amended to enable issue of options / shares at such discounts to the Market Price as on the date of the grant of the options subject to the exercise price not being less than the face value of shares.

The company has not granted any options during the year. There are no options outstanding at the beginning or end of the year.

(ii) Employees Stock Option Plan 2007

The shareholders of the company through a postal ballot process, postal ballot notice dated 26 April 2007, results declared on 8 June 2007, approved an Employees Stock Option Plan (ESOP-2007). The ESOP-2007 provides for issue of 2,700,000 options (underlying equity shares of ₹ 10 each) to the employees / Directors of both the company and its subsidiaries, at such discounts to the Market Price as on the date of the grant of the options subject to the exercise price not being less than the face value of equity shares.

	As at	
	31 December 2012	31 December 2011
	Nos	Nos
Options outstanding at the beginning of the year	2,510,000	2,645,000
Options granted during the year	—	—
Exercised during the year	—	—
Expired / Cancelled during the year	185,000	135,000
Options outstanding at the end of the year	2,325,000	2,510,000
Exercisable at the end of the year	1,551,000	898,000

The company granted stock options to the Managing Director and the Officers on 6 August 2010 at the market price of ₹ 25 per equity share of ₹ 10 each.

Mr GV Kumar, MD, was granted 1,350,000 stock options on 6 August 2010 at ₹ 25 (market price) per option convertible into equivalent equity shares of ₹ 10 each in three equal tranches at the end of first, second and third year from the date of grant. He was further granted 900,000 stock options (performance based) on 6 August 2010 at ₹ 25 (market price) per option convertible into equivalent equity shares of ₹ 10 each in three equal tranches at the end of first, second and third year from the date of grant. Considering the market scenario and the economical factors it has not been feasible to exercise the stock options vested at the end of the year.

	As at	
	31 December 2012	31 December 2011
	₹ 000s	₹ 000s
(4) Reserves & Surplus		
Securities Premium		
Opening Balance	25,066	25,066
Closing Balance	25,066	25,066
Foreign Currency Translation Reserve		
Opening Balance	(149,707)	(44,626)
Movement during the year	(15,118)	(105,081)
Closing Balance	(164,825)	(149,707)
Employee Stock Options		
Employee Stock Options outstanding		
Opening Balance	—	—
Additions during the year	—	—
Deletions / adjusted during the year	—	—
	—	—
Less: Deferred Compensation Expense		
Opening Balance	—	—
Additions during the year	—	—
Amortised / adjusted during the year	—	—
	—	—
Closing Balance	—	—
General Reserve		
Opening Balance	536,855	536,855
Closing Balance	536,855	536,855
Business Reconstruction Reserve		
Opening Balance	2,138	2,138
Closing Balance	2,138	2,138
Balance in Profit & Loss Account		
Opening Balance	1,284,873	1,109,955
Profit for the period	11,667	174,918
Closing Balance	1,296,540	1,284,873
Total Reserves & Surplus	**1,695,774**	**1,699,225**

		As at	
		31 December 2012	31 December 2011
		₹ 000s	₹ 000s
(5)	**Long-term borrowings**		
	Secured		
	Long term maturities of finance lease obligations	2,153	3,243
		2,153	**3,243**

Vehicles are hypothecated to the Banks / Financial Institutions as security for the amounts borrowed by the company.

The Company has entered into leasing / hire purchase arrangements with banks and financial institutions for the hire / lease of motor vehicles ("the leased asset") for a period not exceeding 60 months. During the lease / hire period, the Company has agreed to hypothecate and create an exclusive charge on the vehicle in favour of the bank / financial institution and repay the principal amount of the loan along with interest thereon by way of instalments as agreed upon. The charge / security created in favour of the bank / financial institution shall remain in force until such time all the dues under the agreement are fully discharged.

Pending lease / hire purchase obligations comprising minimum lease / hire payments

		As at	
		31 December 2012	31 December 2011
		₹ 000s	₹ 000s
	Not later than one year	1,090	1,405
	Later than one year and not later than five years	2,153	3,243
	Total	3,243	4,648
	Less: Amounts representing interest	(710)	(1,142)
	Present value of minimum lease payments	2,533	3,506
	Less : Amount due not later than one year	(344)	(746)
	Amounts due later than one year and not later than five years	2,189	2,760
(6)	**Deferred tax liability (net)**		
	Fixed Assets	9,785	12,414
	Retirement benefits	(4,356)	(4,781)
	Provision for doubtful debts	—	(4,458)
		5,429	**3,175**
(7)	**Long-term provisions**		
	Provision for retirement benefits (unfunded)	12,595	10,116
		12,595	**10,116**
(8)	**Short-term borrowings**		
	Secured		
	Working Capital / Demand loan from Bank	674,992	393,016
	Unsecured		
	From bodies corporate	233,316	227,316
		908,308	**620,332**

The working capital loan facilities from Banks are secured by a first charge on entire current assets and fixed assets (except company's assets acquired under hire purchase scheme), present and future, of the group. This includes ₹ 270 million availed for augmenting additional working capital requirement.

		As at	
		31 December 2012	31 December 2011
		₹ 000s	₹ 000s
(9)	**Trade payables**		
	Sundry Creditors		
	for goods / services	170,452	56,679
		170,452	**56,679**
(10)	**Other current liabilities**		
	Current maturities of long-term debt	164,332	372,862
	Current maturities of finance lease obligations	1,090	1,405
	For accrued salaries and benefits	15,763	2,190
	Provision for expenses	11,907	31,070
	Other payables	45,089	6,397
	Unclaimed Dividends	1,580	2,337
	Interest accrued but not due on borrowings	88,151	64,549
		327,912	**480,810**
(11)	**Short-term provisions**		
	Provision for retirement benefits (unfunded)	583	4,348
	Provision for taxation (net)	36,668	35,044
		37,251	**39,392**

Particulars	Gross Block				Depreciation				Net Block	
	Cost as at 1-Jan-2012	Additions	Deletions / Adjustments	Cost as at 31-Dec-2012	As at 1-Jan-2012	For the year	On Deletions / Adjustments	Total as at 31-Dec-2012	As at 31-Dec-2012	As at 31-Dec-2011
	₹ 000s	₹ 000s	₹ 000s	₹ 000s	₹ 000s	₹ 000s	₹ 000s	₹ 000s	₹ 000s	₹ 000s
(12) Fixed Assets										
(A) Tangible Assets										
Land & Land development	431,709	—	—	431,709	—	—	—	—	431,709	431,709
Buildings	—	—	—	—	—	—	—	—	—	—
Plant & Machinery	17,835	87	—	17,922	4,538	1,198	—	5,736	12,186	13,297
Computer systems & Software	1,360,227	41,661	—	1,401,888	760,983	118,842	—	879,825	522,063	599,244
Furniture & Fittings	42,202	137	—	42,339	26,217	1,567	—	27,784	14,555	15,985
Vehicles	22,843	—	(1,782)	21,061	18,380	721	(1,782)	17,319	3,742	4,463
	1,874,816	41,885	(1,782)	1,914,919	810,118	122,328	(1,782)	930,664	984,255	1,064,698
(B) Intangible Assets										
Intellectual Property Rights	6,800	—	—	6,800	6,800	—	—	6,800	—	—
Patents	100,429	—	—	100,429	5,276	3,339	—	8,615	91,814	95,153
	107,229	—	—	107,229	12,076	3,339	—	15,415	91,814	95,153
Total	1,982,045	41,885	(1,782)	2,022,148	822,194	125,667	(1,782)	946,079	1,076,069	1,159,851
Exchange fluctuation on Consolidation	(23,402)	14,785	15,046	6,429	(6,179)	(2,341)	15,047	6,527	(98)	(17,223)
Total	**1,958,643**	**56,670**	**13,264**	**2,028,577**	**816,015**	**123,326**	**13,265**	**952,606**	**1,075,971**	**1,142,628**
Previous year	1,615,031	280,719	62,893	1,958,643	619,687	129,016	67,312	816,015	1,142,628	

	As at	
	31 December 2012	31 December 2011
	₹ 000s	₹ 000s
(13) Non-current investments		
Trade (Unquoted) - at cost		
In other companies		
Keystone Wireless, LLC	121,230	121,230
A company incorporated in USA		
represents 5% of the capital on the date of investment		
	121,230	**121,230**
(14) Goodwill on consolidation		
XIUS Holding Corp (f/k/a Boston Communications Group, Inc.)	1,015,750	1,015,750
Accumulated losses on the date of becoming subsidiary i.e. 30 August 2007		
	1,015,750	**1,015,750**
Goodwill arising on account of acquisition of subsidiary companies are not being amortised.		
(15) Trade receivables		
Over six months from the date they were due for payment		
considered good	312,155	247,505
considered doubtful	176,480	234,348
Others - unsecured, considered good	336,646	264,893
	825,281	746,746
Less: Provision for doubtful debts	(176,480)	(234,348)
	648,801	**512,398**
(16) Cash & Bank balances		
Cash on hand	17	435
Balances with Banks		
In Current Accounts	178,049	75,358
Other Bank balances		
Unpaid dividend accounts	1,580	2,337
Other Bank Deposits *	15,441	6,540
	195,087	**84,670**
* held as margin money, security against borrowings, deposits with more than 3 months maturity, etc.		
(17) Short-term loans and advances		
Unsecured, considered good		
Loans and advances to employees	4,295	5,279
Other loans and advances	491,639	428,817
Security Deposits	17,994	14,584
Advance Income-tax	31,780	30,290
	545,708	**478,970**

	for the year ended	
	31 December 2012	31 December 2011
	₹ 000s	₹ 000s
(18) Other Income / (Expenses)		
Interest received	870	213
Gains / (losses) on foreign currency, net	29,719	71,864
	30,589	**72,077**
(19) Employee benefits expenses		
Salaries & Bonus including overseas staff expenses	373,666	444,102
Contribution to Provident & Other Funds	11,200	11,116
Social security and other benefit plans for overseas employees	13,691	20,542
Employees Welfare expenses	4,613	16,000
Employees Stock compensation expense	—	—
	403,170	491,760
Software Development expenses	101,567	86,332
	504,737	**578,092**
(20) Finance cost		
Interest expense	95,298	71,380
Bank charges	10,480	26,450
	105,778	**97,830**
(21) Other expenses		
Rent	34,222	29,710
Rates & Taxes	7,510	5,926
Communication expenses	164,800	168,835
Travel & Conveyance	62,531	57,351
Insurance	25,891	25,292
Power & Fuel	22,906	28,612
Purchase of hardware and software for System Integration	13,761	—
Repairs & Maintenance		
Machinery	45,776	52,357
Others	7,884	11,915
Printing & Stationery	4,802	3,791
Loss / (Profit) on sale / discard of Fixed Assets	—	4,419
Business Development expenses	9,556	32,939
Legal & Professional expenses	12,524	20,562
Auditors' remuneration	2,308	2,287
Rebates & Discounts	13,362	72,441
Miscellaneous expenses	4,576	3,528
Bad debts written-off	59,862	21,164
Provision for doubtful debts	(57,868)	48,632
	434,403	**589,761**
(22) Taxes		
Current tax	2,399	6,345
Deferred tax expense / (benefit)	2,254	(979)
Earlier year tax	—	755
	4,653	**6,121**

	for the year ended	
	31 December 2012	31 December 2011
	₹ 000s	₹ 000s
(23) Earnings per share		
Basic		
Profit after tax	11,667	174,918
Weighted average number of equity shares outstanding	44,267,293	44,267,293
Earnings per share - Basic (₹)	0.26	3.95
Diluted		
Profit after tax	11,667	174,918
Weighted average number of equity shares outstanding	44,267,293	44,267,293
Dilutive effect of stock options outstanding	1,551,000	898,000
Weighted average number of equity shares outstanding	45,818,293	45,165,293
Earnings per share - Diluted (₹)	0.25	3.87

	As at	
	31 December 2012	31 December 2011
	₹ 000s	₹ 000s
(24) Commitments & Contingencies		
Contingent liabilities including bank guarantees, letter of credits, etc.	44,508	26,813
	44,508	**26,813**

(25) Related party transactions

Wholly owned Subsidiary companies

Megasoft Consultants Sdn Bhd, Malaysia, Megasoft Consultants Pte Ltd, Singapore, XIUS Holding Corp (f/k/a Boston Communications Group, Inc.), USA, XIUS Corp (f/k/a Cellular Express, Inc.), USA, BCGI Wireless Private Limited.

Associates - Entities controlled by Director/s

S Ravindra Babu HUF

Aries Foundations Private Limited, Innovative Water Solutions Limited, NMR Property Development Private Limited, Sannareddy Holdings Private Limited, SR Heritage Farms Private Limited, SRB Infrastructure Private Limited, Sri City Infrastructure Development Private Limited, Sri City Private Limited, Sri City Property Development Private Limited, Sricity E-World Private Limited, Sricity Holdings India Private Limited, Sricity Projects Private Limited, Sricity Utility Services Private Limited, Suprani Farms Private Limited.

Directors & Key Management Personnel
GV Kumar & D Sudhakar Reddy

	for the year ended	
	31 December 2012	31 December 2011
	₹ 000s	₹ 000s
Associate companies		
Reimbursement of common expenses received	2,306	1,144
Due to / (from)	(62)	(319)
Directors & Key Management Personnel		
Remuneration to Executive Directors	5,207	6,408
Commission to Non-Executive Directors	—	1,000
Directors' sitting fees	420	325

There are no provisions for doubtful debts / advances in respect of related parties as at the Balance Sheet date or amounts written-off or written back during the year in respect of debts due from or to related parties.

(26) Segmental Information

Subsequent to divestment of IT Services ('BlueAlly') Division, w.e.f. 1 October 2009, the company has a single reportable segment, that of Telecom.

Secondary segmental reporting is reported on the basis of the geographical location of customers. Geographical revenues are segregated based on the location of the customer who is invoiced or in relation to which the revenue is otherwise recognised.

	for the year ended	
	31 December 2012	31 December 2011
	₹ 000s	₹ 000s
Business Segment (Primary)		
Revenues - Telecom	1,153,975	1,503,661
Segment profit	216,829	405,604
Less: Finance cost	105,778	97,830
Less: Depreciation	123,326	129,016
Other Income / (Expenses)	28,595	2,281
Profit before taxes	16,320	181,039
Less: Taxes	4,653	6,121
Profit after taxes	11,667	174,918
Geographical Segment (Secondary)		
Revenues		
USA	742,270	1,194,880
South America	124,917	193,393
Middle East & Africa	191,341	26,934
Asia	95,447	88,454
	1,153,975	**1,503,661**
Carrying amount of segment assets		
USA	1,230,363	1,235,334
South America	96,589	96,589
Middle East & Africa	55,785	55,785
Asia	1,147,638	897,254
	2,530,375	**2,284,962**
Addition to Fixed Assets		
USA	49,208	255,332
South America	—	—
Middle East & Africa	—	—
Asia	7,462	25,385
	56,670	**280,717**

(27) Corporate Guarantees

The company has given a corporate guarantee for the foreign currency loan of US$ 8.00 million (Previous year - US$ 12.00 million) from Axis Bank, Hong Kong to XIUS Holding Corp (f/k/a Boston Communications Group, Inc.), USA.

(28) Previous year comparatives

The company has prepared these financial statements as per the format prescribed by Revised Schedule VI to the Companies Act, 1956 ('the schedule') issued by Ministry of Corporate Affairs. Previous periods' figures have been recast / restated to conform to the classification required under revised Schedule VI.

(29) Cash flows

Cash flows are reported using the indirect method, whereby profit before tax is adjusted for the effects of transactions of a non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from regular revenue generating, financing and investing activities of the Group are segregated. Cash flows in foreign currencies are accounted at average monthly exchange rates that approximate the actual rates of exchange prevailing at the dates of the transactions.

Auditors' Report

To the Members of Megasoft Limited

We have audited the attached Balance Sheet of Megasoft Limited ("the Company") as at 31 December 2012 and the related Profit and Loss Account and Cash Flow Statement for the year ended on that date annexed thereto, which we have signed under reference to this report. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the Companies (Auditor's Report) Order, 2003 ('the Order'), as amended, issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956 ('the Act'), we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

Further to our comments in the Annexure referred to above, we report that:

(a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;

(b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;

(c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;

(d) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Act;

(e) On the basis of written representations received from the directors, as on 31 December 2012, and taken on record by the Board of Directors, none of the directors is disqualified as on 31 December 2012 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Act;

(f) In our opinion and to the best of our information and according to the explanations given to us, the said financial statements together with the notes thereon and attached thereto give in the prescribed manner the information required by the Act and give a true and fair view in conformity with the accounting principles generally accepted in India:

   (i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31 December 2012;

   (ii) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and

   (iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

for **Srikanth & Shanthi Associates**
Chartered Accountants
Firm Registration No.004006S

MC Srikanth
Partner
Membership No.018588

for **TN Rajendran & Co.**
Chartered Accountants
Firm Registration No.005080S

TN Rajendran
Partner
Membership No.028778

Hyderabad
23 February 2013

Annexure to Auditors' Report

[Referred to in paragraph 3 of the Auditors' Report of even date to the Members of Megasoft Limited on the Financial Statements for the year ended 31 December 2012]

(i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

(b) The Company has a phased programme of physical verification of its fixed assets which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. In accordance with such programme, the Management has physically verified certain fixed assets during the year and no material discrepancies were noticed on such verification.

(c) During the year the Company had not disposed off any assets.

(ii) In our opinion and according to the information and explanations given to us, in view of the nature of activities of the Company, the provisions of Clause 4(ii) relating to inventory is not applicable to the Company.

(iii) The Company has neither granted nor taken any loans, secured or unsecured, to / from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956 ("the Act"). Consequently, sub clauses (iii)(b), (iii)(c), (iii)(d), (iii)(f) and (iii)(g) of clause 3 of paragraph 4 of the Order are not applicable.

(iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchase of fixed assets and the sale of services. We have not observed any major weakness in the internal control system during the course of the audit.

(v) (a) In our opinion and according to the information and explanations given to us, the particulars of contracts or arrangements referred to in Section 301 of the Act have been entered in the register maintained under that section.

(b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements exceeding Rs 5 lakhs in respect of any party during the year, which have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.

(vi) The Company has not accepted any deposits from the public and hence the directives issued by the Reserve Bank of India and the provisions of Sections 58A, 58AA or any other relevant provisions of the Act and the Companies (Acceptance of Deposit) Rules, 1975 with regard to the deposits accepted from the public are not applicable.

(vii) In our opinion, the Company has an internal audit system, commensurate with its size and the nature of its business.

(viii) According to the information and explanations given to us, the Central Government has not prescribed the maintenance of cost records under Section 209(1)(d) of the Act in respect of services carried out by the Company.

(ix) (a) According to the information and explanations given to us, and on the basis of our examination of the books of account, the Company has been depositing with the appropriate authorities undisputed statutory dues including provident fund, employees' state insurance, income-tax, wealth tax, service tax, sales-tax, customs duty, cess and other statutory dues applicable to it. *However, in respect of provident fund, employees' state insurance and tax deducted at source, instances of delayed remittances were noticed during the year. The dues were remitted before the balance sheet date.*

(b) According to the information and explanations given to us, no undisputed dues payable in respect of provident fund, employees' state insurance, income-tax, wealth tax, service tax, sales-tax, customs duty, cess and other statutory dues were outstanding as at 31 December 2012 for a period of more than six months from the date they became payable.

(c) According to the information and explanations given to us there are no such statutory dues that have not been deposited with the appropriate authorities on account of any dispute.

(x) The Company does not have any accumulated losses at the end of the financial year and has not incurred cash losses in the financial year.

(xi) In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to banks.

(xii) According to the information and explanations given to us, the Company has not given any loans and advances on the basis of security by way of pledge of shares, debentures and other securities and hence the question of maintenance of adequate records for this purpose does not arise.

(xiii) In our opinion and according to the information and explanations given to us, the Company is not a chit fund, nidhi, mutual benefit fund or a society.

(xiv) In our opinion and according to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments.

(xv) According to the information and explanations given to us, the Company has given corporate guarantees for foreign currency loans taken by wholly-owned subsidiaries from a bank. The terms and conditions of such guarantees are not prejudicial to the interest of the Company.

(xvi) According to the information and explanations given to us, the Company has not availed any new term loan during the year.

(xvii) According to the information and explanations given to us, and on an overall examination of the Balance Sheet of the Company, funds raised on short-term basis have, prima-facie, not been used for long term investment.

(xviii) During the year, the Company has not made any preferential allotment of shares to companies / firms / parties covered in the register maintained under section 301 of the Act.

(xix) The Company has not raised any money by public issues during the year.

(xx) To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the year.

for **Srikanth & Shanthi Associates**
Chartered Accountants
Firm Registration No.004006S

MC Srikanth
Partner
Membership No.018588

for **TN Rajendran & Co.**
Chartered Accountants
Firm Registration No.005080S

TN Rajendran
Partner
Membership No.028778

Hyderabad
23 February 2013

Balance Sheet

	Note	As at 31 December 2012	As at 31 December 2011
		₹ 000s	₹ 000s
Equity and Liabilities			
Shareholders' Funds			
(a) Share Capital	3	442,673	442,673
(b) Reserves & Surplus	4	1,264,860	1,253,018
		1,707,533	1,695,691
Non-Current liabilities			
(a) Long-term borrowings	5	2,153	3,243
(b) Deferred tax liabilities (Net)	6	5,415	3,167
(c) Long-term provisions	7	12,595	10,116
		20,163	16,526
Current Liabilities			
(a) Short-term borrowings	8	416,955	142,536
(b) Trade payables	9	9,547	17,012
(c) Other current liabilities	10	41,394	28,162
(d) Short-term provisions	11	37,251	39,016
		505,147	226,726
Total		**2,232,843**	**1,938,943**
Assets			
Non-current assets			
(a) Fixed Assets	12		
(i) Tangible assets		512,605	539,137
(ii) Intangible assets		—	—
(b) Non-current investments	13	685,569	130,224
		1,198,174	669,361
Current Assets			
(a) Trade receivables	14	546,769	448,505
(b) Cash and cash equivalents	15	20,129	10,926
(c) Short-term loans and advances	16	467,771	810,151
		1,034,669	1,269,582
Total		**2,232,843**	**1,938,943**
Significant Accounting policies	2		

The accompanying notes are an integral part of the financial statements.

As per our Report of even date attached

for **Srikanth & Shanthi Associates**
Chartered Accountants
Firm Registration No.004006S

MC Srikanth
Partner
Membership No.018588

for **TN Rajendran & Co.**
Chartered Accountants
Firm Registration No.005080S

TN Rajendran
Partner
Membership No.028778

For and on behalf of the Board of Directors

GV Kumar
Managing Director

D Sudhakar Reddy
Director

GP Srinath
Vice-President (Finance) &
Company Secretary

Hyderabad
23 February 2013

Profit & Loss Account

	Note	for the year ended 31 December 2012	31 December 2011
		₹ 000s	₹ 000s
Income			
Revenue from operations		461,627	500,823
Other Income / (Expenses)	17	31,022	71,991
Total Income		**492,649**	**572,814**
Expenses			
Employee benefits expense	18	290,157	328,874
Finance cost	19	33,514	28,213
Depreciation	12	33,994	40,928
Other expenses	20	118,893	113,772
Total Expenses		**476,558**	**511,787**
Profit			
Profit before tax		16,091	61,027
Less: Taxes	21	4,249	5,769
Profit for the period		11,842	55,258
Earnings per share	22		
(equity shares, par value ₹ 10 each)			
Basic (₹)		0.27	1.25
Diluted (₹)		0.26	1.22
Number of shares used in computing			
Basic		44,267,293	44,267,293
Diluted		45,818,293	45,165,293
Significant Accounting policies	2		

The accompanying notes are an integral part of the financial statements.

As per our Report of even date attached

for **Srikanth & Shanthi Associates**
Chartered Accountants
Firm Registration No.004006S

for **TN Rajendran & Co.**
Chartered Accountants
Firm Registration No.005080S

MC Srikanth
Partner
Membership No.018588

TN Rajendran
Partner
Membership No.028778

For and on behalf of the Board of Directors

GV Kumar
Managing Director

D Sudhakar Reddy
Director

GP Srinath
Vice-President (Finance) &
Company Secretary

Hyderabad
23 February 2013

Cash Flow Statement

	for the year ended	
	31 December 2012	31 December 2011
	₹ 000s	₹ 000s
Cash flows from operating activities		
Profit before taxation	16,091	61,027
Adjustments for:		
Depreciation & Amortisation	33,994	40,928
Bad debts written-off	59,862	—
Provision for Doubtful Debts	(57,868)	48,632
Provision for retirement benefits	(1,286)	1,953
Interest received	(869)	(212)
Finance cost	33,514	28,213
Operating profit before working capital changes	**83,438**	**180,541**
(Increase) / Decrease in Trade Receivables	(100,258)	(103,995)
(Increase) / Decrease in Short Term Loans & Advances	* 343,870	31,552
(Decrease) / Increase in Current Liabilities	5,767	(28,352)
Taxes paid during the year	(1,491)	(6,965)
Net cash provided by operating activities	**331,326**	**72,781**
Cash flows from investing activities		
Purchase / acquisition of Fixed Assets	(7,462)	(25,306)
Investment / (divestment) in subsidiary / other companies	* (555,345)	—
Interest received	869	212
Net Cash used for investing activities	**(561,938)**	**(25,094)**
Cash flows from financing activities		
Increase / (Decrease) in Short Term Borrowings	274,419	(26,677)
Increase / (Decrease) in Long Term Borrowings	(1,090)	2,929
Finance cost	(33,514)	(28,213)
Net cash provided by financing activities	**239,815**	**(51,961)**
Net increase in cash & cash equivalents	9,203	(4,274)
Cash & Cash equivalents at the beginning of the year	10,926	15,200
Cash & Cash equivalents at the end of the year	**20,129**	**10,926**

* a part of the existing advance to a wholly owned subsidiary in USA has been converted into capital during the year.

As per our Report of even date attached

for **Srikanth & Shanthi Associates**
Chartered Accountants
Firm Registration No.004006S

MC Srikanth
Partner
Membership No.018588

for **TN Rajendran & Co.**
Chartered Accountants
Firm Registration No.005080S

TN Rajendran
Partner
Membership No.028778

For and on behalf of the Board of Directors

GV Kumar
Managing Director

D Sudhakar Reddy
Director

GP Srinath
Vice-President (Finance) &
Company Secretary

Hyderabad
23 February 2013

Notes to the financial statements

[All amounts in the financial statements are presented in Rupees (₹) thousands and as otherwise stated]

(1) Corporate Information

Megasoft Limited, a public limited company domiciled in India and incorporated under the provisions of the Companies Act, 1956, on 29 June 1999 and is having its registered office in Chennai. The company's shares are listed on Madras Stock Exchange, The National Stock Exchange and The Bombay Stock Exchange, in India. The company is a unique Indo-American trans-national company that combines the best practices of both cultures (Indian and American), creating a high quality and cost effective entity with a focus on the global telecommunications domain.

(2) Significant Accounting policies

(i) Basis for preparation

The financial statements are prepared in accordance with Indian Generally Accepted Accounting Principles ("GAAP") under the historical cost convention on accrual basis. GAAP comprises mandatory accounting standards as specified in the Companies (Accounting Standards) Rules, 2006, the provisions of the Companies Act, 1956 and guidelines issued by the Securities and Exchange Board of India. Accounting policies have been consistently applied except where a newly issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use.

The Management evaluates all recently issued or revised accounting standards on an on going basis.

(ii) Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent liabilities at the date of financial statements and the reported amounts of revenues and expenses during the reporting period. Examples of such estimates include estimates of carrying value of work in progress, provision for doubtful debts and useful life of fixed assets. Actual results could differ from estimates.

(iii) Revenue Recognition

Revenue from software development on time and material basis is recognised based on software developed and billed to clients as per the terms of specific contracts. In the case of fixed-price contracts, revenue is recognised based on the milestones achieved as specified in the contracts or on the percentage of completion basis. Provision for estimated losses on incomplete contract is recorded in the period in which such losses become probable based on the current estimates. Revenues from product licenses and related revenues are recognised as follows:

- Licence fees, on delivery and subsequent milestone schedule as per the terms of the contract with the end user.
- Product maintenance revenues, over the period of the maintenance contract.

(iv) Fixed Assets & Depreciation

Fixed assets are stated at cost of acquisition less accumulated depreciation. Direct costs such as freight, installation costs, duties and taxes are included in the cost of the asset until the assets are ready to be put to use. Assets acquired under hire purchase / leases are capitalized and the corresponding liability is recorded at an amount equal to the fair value of the hired / leased asset or the present value of the minimum hire / lease payments, whichever is lower, at the inception of the lease / hire purchase.

Leased rentals in respect of leased assets are charged to Profit and Loss Account. Initial costs incurred in connection with specific leasing / hire purchase activities directly attributable to activities performed by the Company for a finance lease / hire purchase are included as part of the amount recognised as an asset under the lease / hire purchase.

Depreciation on fixed assets other than computer systems & software is provided using the straight line method in accordance with the rates specified under Schedule XIV to the Companies Act, 1956. Depreciation on computer systems & software other than telecom related assets is provided on the basis of estimated useful life of four years. Depreciation is charged on a pro rata basis on fixed assets purchased / sold during the year. Depreciation on assets acquired under finance lease / hire purchase is provided using the straight line method over the shorter of the lease / hire purchase term and useful life of the asset.

(v) Investments

Investments in subsidiary / other companies are classified as long term investments and are stated at cost. Any diminution in value is to be determined for each investment individually on the basis of its expected benefits to the Company. The exact quantum of such benefits is dependent on a number of uncertain future events.

(vi) Foreign Currency transactions

Transactions in foreign currency are recorded at the rates of exchange prevailing on the date of the transaction or at average monthly exchange rates that approximate the actual rates of exchange prevailing at the dates of the transactions. Current assets and liabilities denominated in foreign currency are translated at the rate of exchange as at Balance Sheet date. All resulting gains or losses are recognised in the Profit & Loss account. Foreign exchange gains or losses relating to the acquisition of fixed assets are adjusted to the cost of the asset.

All income and expenditure transactions of the foreign branch during the year are included in these accounts at the average rate of exchange. Monetary assets and liabilities are translated at rates prevailing on the balance sheet date. Non monetary assets and liabilities are translated at the rate prevailing on the date of the transaction. Depreciation is translated at the rates used for the translation of the values of the assets on which depreciation is computed. Net gain/loss on foreign currency translation is recognised in the Profit & Loss Account.

In case of forward exchange contract or any other financial instruments that is in substance a forward exchange contract to hedge the foreign currency risk which is on account of firm commitment and / or is a highly probable forecast transaction, the premium or discount arising at the inception of the contract is amortised as expense or income over the life of the contract.

Gains / Losses on settlement of transaction arising on cancellation or renewal of such a forward exchange contract are recognised as income or expense for the period.

In all other cases the gain or loss on contract is computed by multiplying the foreign currency amount of the forward exchange contract by the difference between the forward rate available at the reporting date for the remaining maturity of the contract and the contracted forward rate (or the forward rate last used to measure a gain or loss on that contract for an earlier period) is recognised in the profit and loss account for the period.

(vii) Retirement benefits

Provident Fund

Employees receive benefits from a provident fund, which is a defined contribution plan. Both the employee and the company make monthly contributions to the Regional Provident Fund equal to a specified percentage of the covered employee's salary. The company has no further obligations under the plan beyond its monthly contributions.

Gratuity

In accordance with the Payment of Gratuity Act, 1972, the Company provides for gratuity, a non-funded, defined benefit retirement plan (the "Gratuity Plan") covering all employees. The plan, subject to the provisions of the Act, provides a lump sum payment to vested employees at retirement or termination of employment of an amount based on the respective employee's salary and the years of employment with the Company. The Company estimates its liability on adhoc basis in the interim financial reports and on an actuarial valuation basis as of each year-end balance sheet date carried out by an independent actuary, and is charged to Profit & Loss Account in accordance with AS-15 (revised).

Leave encashment

Leave encashment cost is a defined benefit, and is accrued on adhoc basis in the interim financial reports and on an actuarial valuation basis as of each year end balance sheet date carried out by an independent actuary, and is charged to Profit & Loss Account in accordance with AS-15 (revised).

(viii) Borrowing cost

Borrowing costs other than those directly attributable to qualifying Fixed Assets are recognised as an expense in the period in which they are incurred.

(ix) Taxes

Current tax

Current tax is measured at the amount expected to be paid out or recovered from the tax administration adopting the applicable rates in force.

Deferred tax

Deferred tax charge or credit reflects the tax effects of timing differences between accounting income and taxable income for the period. The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised using the tax rates that have been enacted or substantially enacted by the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in future. However, where there is unabsorbed depreciation or carry forward of losses, deferred tax assets are recognized only if there is virtual certainty of realisation of such assets. Deferred tax assets are reviewed at each balance sheet date and written down or written up to reflect the amount that is reasonable / virtual certainty (as the case may be) to be realised.

The break-up of major components of the deferred tax assets and liabilities as of each year end Balance Sheet date have been arrived at after setting off deferred tax assets and liabilities where the Company has a legally enforceable right to set-off assets against liabilities and where such assets and liabilities relate to taxes on income levied by the same governing laws.

		As at	
		31 December 2012	31 December 2011
		₹ 000s	₹ 000s
(3)	**Share Capital**		
	Authorised		
	75,000,000 Equity Shares of ₹ 10 each	750,000	750,000
		750,000	**750,000**
	Issued, Subscribed & Paid-up		
	44,267,293 Equity Shares of ₹ 10 each fully paid-up	442,673	442,673
		442,673	**442,673**

The company has only one class of shares referred to as equity shares having a par value of ₹ 10. Each holder of the equity share, as reflected in the records of the company as of the date of the shareholder meeting, is entitled to one vote in respect of each share held for all matters submitted to vote in the shareholder meeting.

The company declares and pays dividends in Indian rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the Annual General Meeting.

In the event of liquidation of the company, the holders of equity shares will be entitled to receive any of the remaining assets of the company after distribution of all preferential amounts. However, no such preferential amounts exists currently. The distribution will be in proportion to the number of equity shares held by the shareholders.

Equity shareholder holding more than 5 percent of equity shares along with the number of equity shares held at the beginning and at the end of the period is as given below:

	As at			
	31 December 2012		31 December 2011	
	No of shares	%	No of shares	%
S.Ravindra Babu	1,971,870		1,971,870	
S Ravindra Babu	16,898		16,898	
Ravindra Babu S (HUF)	1,212,126		1,212,126	
	3,200,894	7.23	3,200,894	7.23
GV Kumar	2,226,911	5.03	2,226,911	5.03
I Labs Venture Capital Fund	3,762,375	8.50	3,762,375	8.50
Ashish Dhawan	3,554,769	8.03	3,554,769	8.03

The company has not allotted any equity shares by way of bonus shares nor has bought back any equity shares during the period of five years immediately preceding the balance sheet date. The company has not allotted any equity shares without payment being received in cash during the period of five years immediately preceding the balance sheet date.

Employees Stock Option Plans

The company has two stock option plans that provide for the granting of stock options to employees / directors of the company and its subsidiaries (not being promoter directors of the company). The objectives of these plans include attracting and retaining the best personnel, providing for additional performance incentives and promoting the success of the company by providing employees the opportunity to acquire equity shares. Remuneration / Compensation Committee administers all these stock options under various plans. The stock option plans are summarised below:

(i) Associates Stock Option Plan 2004

The shareholders of the company in the AGM held on 18 June 2004 approved the Associate Stock Option Plan (ASOP-2004). The ASOP-2004 provides for issue of 755,000 equity shares of ₹ 10 each to the employees including directors at the market price of the shares on the date of grant.

At the AGM held on 22 June 2006, the exercise price of the options to be granted was amended to enable issue of options / shares at such discounts to the Market Price as on the date of the grant of the options subject to the exercise price not being less than the face value of shares.

The company has not granted any options during the year. There are no options outstanding at the beginning or end of the year.

(ii) Employees Stock Option Plan 2007

The shareholders of the company through a postal ballot process, postal ballot notice dated 26 April 2007, results declared on 8 June 2007, approved an Employees Stock Option Plan (ESOP-2007). The ESOP-2007 provides for issue of 2,700,000 options (underlying equity shares of ₹ 10 each) to the employees / Directors of both the company and its subsidiaries, at such discounts to the Market Price as on the date of the grant of the options subject to the exercise price not being less than the face value of equity shares.

	As at	
	31 December 2012	31 December 2011
	Nos	Nos
Options outstanding at the beginning of the year	2,510,000	2,645,000
Options granted during the year	—	—
Exercised during the year	—	—
Expired / Cancelled during the year	185,000	135,000
Options outstanding at the end of the year	2,325,000	2,510,000
Exercisable at the end of the year	1,551,000	898,000

The company granted stock options to the Managing Director and the Officers on 6 August 2010 at the market price of ₹ 25 per equity share of ₹ 10 each.

Mr GV Kumar, MD, was granted 1,350,000 stock options on 6 August 2010 at ₹ 25 (market price) per option convertible into equivalent equity shares of ₹ 10 each in three equal tranches at the end of first, second and third year from the date of grant. He was further granted 900,000 stock options (performance based) on 6 August 2010 at ₹ 25 (market price) per option convertible into equivalent equity shares of ₹ 10 each in three equal tranches at the end of first, second and third year from the date of grant. Considering the market scenario and the economical factors it has not been feasible to exercise the stock options vested at the end of the year.

	As at	
	31 December 2012	31 December 2011
	₹ 000s	₹ 000s
(4) Reserves & Surplus		
Securities Premium		
Opening Balance	25,066	25,066
Closing Balance	25,066	25,066
Employee Stock Options		
Employee Stock Options outstanding		
Opening Balance	—	—
Additions during the year	—	—
Deletions / adjusted during the year	—	—
	—	—
Less: Deferred Compensation Expense		
Opening Balance	—	—
Additions during the year	—	—
Amortised / adjusted during the year	—	—
	—	—
Closing Balance	—	—
General Reserve		
Opening Balance	536,855	536,855
Closing Balance	536,855	536,855
Business Reconstruction Reserve		
Opening Balance	2,138	2,138
Closing Balance	2,138	2,138
Balance in Profit and Loss Account		
Opening Balance	688,959	633,701
Profit for the period	11,842	55,258
Closing Balance	700,801	688,959
Total Reserves & Surplus	**1,264,860**	**1,253,018**

	As at	
	31 December 2012	31 December 2011
	₹ 000s	₹ 000s
(5) Long-term borrowings		
Secured		
Long term maturities of finance lease obligations	2,153	3,243
	2,153	**3,243**

Vehicles are hypothecated to the Banks / Financial Institutions as security for the amounts borrowed by the company.

The Company has entered into leasing / hire purchase arrangements with banks and financial institutions for the hire / lease of motor vehicles ("the leased asset") for a period not exceeding 60 months. During the lease / hire period, the Company has agreed to hypothecate and create an exclusive charge on the vehicle in favour of the bank / financial institution and repay the principal amount of the loan along with interest thereon by way of instalments as agreed upon. The charge / security created in favour of the bank / financial institution shall remain in force until such time all the dues under the agreement are fully discharged.

Pending lease / hire purchase obligations comprising minimum lease / hire payments

	As at	
	31 December 2012	31 December 2011
	₹ 000s	₹ 000s
Not later than one year	1,090	1,405
Later than one year and not later than five years	2,153	3,243
Total	3,243	4,648
Less: Amounts representing interest	(710)	(1,142)
Present value of minimum lease payments	2,533	3,506
Less : Amount due not later than one year	(344)	(746)
Amounts due later than one year and not later than five years	2,189	2,760
(6) Deferred tax liability (net)		
Fixed Assets	9,771	12,406
Retirement benefits	(4,356)	(4,781)
Provision for doubtful debts	—	(4,458)
	5,415	**3,167**
(7) Long-term provisions		
Provision for retirement benefits (unfunded)	12,595	10,116
	12,595	**10,116**
(8) Short-term borrowings		
Secured		
Working Capital / Demand loan from Bank	401,105	126,686
Unsecured		
From bodies corporate	15,850	15,850
	416,955	**142,536**

The working capital loan facilities from Banks are secured by a first charge on entire current assets and fixed assets (except company's assets acquired under hire purchase scheme), present and future, of the company. This includes ₹ 270 million availed for augmenting additional working capital requirement.

	As at	
	31 December 2012	31 December 2011
	₹ 000s	₹ 000s
(9) Trade payables		
Sundry Creditors		
for goods / services	9,547	17,012
	9,547	**17,012**

As at the end of the year, the company had no outstanding dues to small-scale industrial (SSI) undertakings and Micro and Medium enterprises (Previous year - Nil). The list of SSI undertakings, Micro and Medium enterprises was determined on the basis of information available with the company.

	As at	
	31 December 2012	31 December 2011
	₹ 000s	₹ 000s
(10) Other current liabilities		
Current maturities of finance lease obligations	1,090	1,405
For accrued salaries and benefits	13,847	2,186
Provision for expenses	3,472	12,629
Other payables	17,177	6,342
Unclaimed Dividends	1,580	2,337
Interest accrued but not due on borrowings	4,228	3,263
	41,394	**28,162**
(11) Short-term provisions		
Provision for retirement benefits (unfunded)	583	4,348
Provision for taxation (net)	36,668	34,668
	37,251	**39,016**

Defined benefit plans / long term compensated absences

As per actuarial valuations and recognised in the financial statements in respect of employee benefit schemes.

		Gratuity (Unfunded)		Leave encashment (Unfunded)	
		As at		As at	
		31 December 2012	31 December 2011	31 December 2012	31 December 2011
		%	%	%	%
(i)	Assumptions				
	Discount Rate	8.25	8.75	8.25	8.75
	Rate of Return on Plan Assets	8.25	8.75	8.25	8.75
	Salary Escalation	6.00	6.00	6.00	6.00
	Attrition rate	2.00	2.00	2.00	2.00
		₹ 000s	₹ 000s	₹ 000s	₹ 000s
(ii)	Table showing change in Benefit Obligation				
	Liability at the beginning of the year	10,318	8,074	4,146	4,437
	Interest Cost	903	678	363	373
	Current Service Cost	2,699	2,386	1,112	834
	Benefit Paid	(2,737)	(961)	(1,611)	(1,058)
	Actuarial (gain) / loss on obligations	(1,743)	141	(272)	(440)
	Liability at the end of the year	9,440	10,318	3,738	4,146
(iii)	Tables of fair value of Plan Assets				
	Fair value of Plan Assets at the beginning of the year	—	—	—	—
	Expected return on Plan Assets	—	—	—	—
	Contributions	2,737	961	1,611	1,058
	Benefit Paid	(2,737)	(961)	(1,611)	(1,058)
	Actuarial gain / (loss) on Plan Assets	—	—	—	—
	Fair value of Plan Assets at the end of the year	—	—	—	—
	Total actuarial gain / (loss) to be recognised	1,743	(141)	272	440
(iv)	Actual Return on Plan Assets				
	Expected Return on Plan Assets	—	—	—	—
	Actuarial gain / (loss) on Plan Assets	—	—	—	—
	Actual Return on Plan Assets	—	—	—	—
(v)	Amount recognised in the Balance Sheet				
	Liability at the end of the year	9,440	10,318	3,738	4,146
	Fair value of plan assets at the end of the year	—	—	—	—
	Difference	9,440	10,318	3,738	4,146
	Amount recognised in the Balance Sheet	9,440	10,318	3,738	4,146
(vi)	Expenses recognised in the Income Statement				
	Current Service Cost	2,699	2,386	1,112	834
	Interest Cost	903	678	363	373
	Expected Return on Plan Assets	—	—	—	—
	Net actuarial (gain) / loss to be recognised	(1,743)	141	(272)	(440)
	Expense Recognised in Profit & Loss A/c	1,859	3,205	1,203	767
(vii)	Amount Recognised in the Balance Sheet				
	Opening net liability	10,318	8,074	4,146	4,437
	Expense as above	1,859	3,205	1,203	767
	Employers Contribution paid	(2,737)	(961)	(1,611)	(1,058)
	Closing net Liability	9,440	10,318	3,738	4,146

Particulars	Gross Block				Depreciation				Net Block	
	Cost as at 1-Jan-2012	Additions	Deletions / Adjustments	Cost as at 31-Dec-2012	As at 1-Jan-2012	For the year	On Deletions / Adjustments	Total as at 31-Dec-2012	As at 31-Dec-2012	As at 31-Dec-2011
	₹ 000s	₹ 000s	₹ 000s	₹ 000s	₹ 000s	₹ 000s	₹ 000s	₹ 000s	₹ 000s	₹ 000s
(12) Fixed Assets										
(A) Tangible Assets										
Land & Land development	431,709	—	—	431,709	—	—	—	—	431,709	431,709
Buildings	—	—	—	—	—	—	—	—	—	—
Plant & Machinery	17,815	87	—	17,902	4,518	1,198	—	5,716	12,186	13,297
Computer systems & Software	394,415	7,238	—	401,653	320,731	30,508	—	351,239	50,414	73,684
Furniture & Fittings	28,182	137	—	28,319	12,198	1,567	—	13,765	14,554	15,984
Vehicles	22,843	—	(1,782)	21,061	18,380	721	(1,782)	17,319	3,742	4,463
	894,964	7,462	(1,782)	900,644	355,827	33,994	(1,782)	388, 039	512,605	539,137
(B) Intangible Assets										
Intellectual Property Rights	6,800	—	—	6,800	6,800	—	—	6,800	—	—
Patents	268	—	—	268	268	—	—	268	—	—
	7,068	—	—	7,068	7,068	—	—	7,068	—	—
Total	**902,032**	**7,462**	**(1,782)**	**907,712**	**362,895**	**33,994**	**(1,782)**	**395,107**	**512,605**	**539,137**
Previous year	876,726	29,799	(787,259)	119,266	321,966	56,678	(87,249)	291,395	(172,129)	

	As at	
	31 December 2012	31 December 2011
	₹ 000s	₹ 000s
(13) Non-current investments		
Trade (Unquoted) - at cost		
In wholly owned subsidiary companies		
Megasoft Consultants Pte Ltd	2,631	2,631
A company incorporated in Singapore		
100,000 ordinary shares of S$ 1 each fully paid		
Megasoft Consultants Sdn Bhd	6,363	6,363
A company incorporated in Malaysia		
500,000 ordinary shares of MR 1 each fully paid		
XIUS Holding Corp (f/k/a Boston Communications Group, Inc.)	* 555,345	—
A company incorporated in USA		
1,000 ordinary shares of US$ 0.001 each fully paid		
Trade (Unquoted) - at cost		
In other companies		
Keystone Wireless, LLC	121,230	121,230
A company incorporated in USA		
represents 5% of the capital on the date of investment		
	685,569	**130,224**
* a part of the existing advance to a wholly owned subsidiary in USA has been converted into capital during the year.		
(14) Trade receivables		
Over six months from the date they were due for payment		
considered good	305,642	247,505
considered doubtful	176,480	234,348
Others - unsecured, considered good	241,127	201,000
	723,249	682,853
Less: Provision for doubtful debts	(176,480)	(234,348)
	546,769	**448,505**
(15) Cash & Bank balances		
Cash on hand	17	435
Balances with Banks		
In Current Accounts	3,091	1,614
Other Bank balances		
Unpaid dividend accounts	1,580	2,337
Other Bank Deposits *	15,441	6,540
	20,129	**10,926**
* held as margin money, security against borrowings, deposits with more than 3 months maturity, etc.		
(16) Short-term loans and advances		
Unsecured, considered good		
Loans and advances to employees	3,356	5,223
Loans and advances to subsidiary companies	* 364,440	719,779
Other loans and advances	54,051	40,314
Security Deposits	14,144	14,545
Advance Income-tax	31,780	30,290
	467,771	**810,151**

* a part of the existing advance to a wholly owned subsidiary in USA has been converted into capital during the year.

The erstwhile VisualSoft had entered into an agreement with Andhra Pradesh Industrial Infrastructure Corporation Limited ("APIIC") to acquire land admeasuring 0.751 acres at Madhapura and 15.61 acres at Nanakramguda, Hyderabad. As per the agreement the erstwhile VisualSoft had paid the required amount towards purchase of the land, stamp duty, other expenditure, etc., and the same has been included under Loans & Advances as capital advance. On satisfaction of certain terms and conditions laid down in the agreement, the deed of conveyance shall be executed in favour of the Company after payment of differential stamp duty, if any. Non-compliance of certain terms and conditions would attract withdrawal of rebate which may increase the cost of land.

Advance income-tax include MAT credit entitlement.

	for the year ended	
	31 December 2012	31 December 2011
	₹ 000s	₹ 000s
(17) Other Income / (Expenses)		
Interest received	869	212
Gains / (losses) on foreign currency, net	30,153	71,779
	31,022	**71,991**
(18) Employee benefits expenses		
Salaries & Bonus including overseas staff expenses	203,262	215,283
Contribution to Provident & Other Funds	11,200	11,116
Employees Welfare expenses	4,496	15,974
Employees Stock compensation expense	—	—
	218,958	242,373
Software Development expenses	71,199	86,501
	290,157	**328,874**

Computation of net profit in accordance with Section 198 read with section 309(5) of the Companies Act, 1956, and calculation of commission payable to non-executive directors.

	for the year ended	
	31 December 2012	31 December 2011
	₹ 000s	₹ 000s
Profit after tax	11,842	55,258
Add:		
Managerial Remuneration	5,627	7,733
Depreciation / impairment as per books	33,994	40,928
Provision for doubtful debts	—	48,632
Provision for taxation	4,249	5,769
	43,870	103,062
Less:		
Depreciation as per Section 350 of the Act	33,994	40,928
Profit on which commission is payable	21,718	117,392
Commission to Non-Executive Directors		
Maximum allowed as per the Companies Act, 1956	217	1,174
Commission approved by the Board	—	1,000

The liability towards gratuity is provided on an actuarial basis for the company as a whole. The amount pertaining to directors is not individually ascertainable and is therefore not included above.

Above amount does not include remuneration paid by wholly owned subsidiary company to Managing Director of the company aggregating to ₹ 5,921 (Previous year ₹ 3,913) in terms of section 314 of the Companies Act, 1956 with due approval of the shareholders at the annual general meeting held on 17 June 2011.

	for the year ended	
	31 December 2012	31 December 2011
	₹ 000s	₹ 000s
(19) Finance cost		
Interest expense	26,694	15,899
Bank charges	6,820	12,314
	33,514	**28,213**

	for the year ended	
	31 December 2012	31 December 2011
	₹ 000s	₹ 000s
(20) Other expenses		
Rent	18,416	7,519
Rates & Taxes	305	199
Communication expenses	7,094	6,758
Travel & Conveyance	42,122	22,014
Insurance	6,741	7,100
Power & Fuel	8,309	7,070
Purchase of hardware and software for System Integration	13,761	—
Repairs & Maintenance		
Machinery	7,317	2,606
Others	4,043	2,756
Printing & Stationery	890	1,020
Business Development expenses	971	2,100
Legal & Professional expenses	975	905
Auditors' remuneration	1,428	1,565
Miscellaneous expenses	4,527	3,528
Bad debts written-off	59,862	—
Provision for doubtful debts	(57,868)	48,632
	118,893	**113,772**
(21) Taxes		
Current tax	2,000	6,000
Deferred tax expense / (benefit)	2,249	(986)
Earlier year tax	—	755
	4,249	**5,769**

Profit for taxation has been made after taking into consideration the appropriate exemptions available for operations till 31 March 2011.

The Company has established a comprehensive system of maintenance of information and documents as required by the transfer pricing legislation under sections 92-92F of the Income Tax Act, 1961. Since the law requires existence of such information and documentation to be continuous, the Company is in the process of updating the documentation for the international transactions entered into with the associated enterprises during the financial year. The management is of the opinion that its international transactions are at arm’s length so that the aforesaid legislation will not have any impact on the financial statements, particularly on the amount of tax expense and that of provision for taxation.

	for the year ended	
	31 December 2012	31 December 2011
	₹ 000s	₹ 000s
(22) Earnings per share		
Basic		
Profit after tax	11,842	55,258
Weighted average number of equity shares outstanding	44,267,293	44,267,293
Earnings per share (₹)	0.27	1.25
Diluted		
Profit after tax	11,842	55,258
Weighted average number of equity shares outstanding	44,267,293	44,267,293
Dilutive effect of stock options outstanding	1,551,000	898,000
Weighted average number of equity shares outstanding	45,818,293	45,165,293
Earnings per share (₹)	0.26	1.22

	As at	
	31 December 2012	31 December 2011
	₹ 000s	₹ 000s
(23) Commitments & Contingencies		
Contingent liabilities including bank guarantees, letter of credits, etc.	44,508	26,813
	44,508	**26,813**

(24) Related party transactions

Wholly owned Subsidiary companies

Megasoft Consultants Sdn Bhd, Malaysia, Megasoft Consultants Pte Ltd, Singapore, XIUS Holding Corp (f/k/a Boston Communications Group, Inc.), USA, XIUS Corp (f/k/a Cellular Express, Inc.), USA, BCGI Wireless Private Limited.

Associates - Entities controlled by Director/s

S Ravindra Babu HUF

Aries Foundations Private Limited, Innovative Water Solutions Limited, NMR Property Development Private Limited, Sannareddy Holdings Private Limited, SR Heritage Farms Private Limited, SRB Infrastructure Private Limited, Sri City Infrastructure Development Private Limited, Sri City Private Limited, Sri City Property Development Private Limited, Sricity E-World Private Limited, Sricity Holdings India Private Limited, Sricity Projects Private Limited, Sricity Utility Services Private Limited, Suprani Farms Private Limited.

Directors & Key Management Personnel
GV Kumar & D Sudhakar Reddy

	for the year ended	
	31 December 2012	31 December 2011
	₹ 000s	₹ 000s
Wholly owned Subsidiary companies		
Sale of services		
Megasoft Consultants Sdn Bhd	47,114	63,144
XIUS Corp (f/k/a Cellular Express, Inc.)	157,579	387,187
Software development expenses		
XIUS Corp (f/k/a Cellular Express, Inc.)	70,375	83,178
Trade Receivables		
Megasoft Consultants Sdn Bhd	13,453	8,460
XIUS Corp (f/k/a Cellular Express, Inc.)	22,208	177,022
Short-term loans and advances		
XIUS Holding Corp (f/k/a Boston Communications Group, Inc.)	* 364,440	719,779
Corporate Guarantees for foreign currency loan from bank		
XIUS Holding Corp (f/k/a Boston Communications Group, Inc.)	438,218	639,192
Associates		
Reimbursement of common expenses received	2,306	1,144
Due to / (from)	(62)	(319)
Directors & Key Management Personnel		
Remuneration to Executive Directors	5,207	6,408
Commission to Non-Executive Directors	—	1,000
Directors' sitting fees	420	325
Details of loans and advances in the nature of loans		
(as required by clause 32 of the listing agreement with the stock exchanges)		
Balance at the end of the year		
XIUS Holding Corp (f/k/a Boston Communications Group, Inc.)	372,642	727,980
Maximum amount outstanding during the year		
XIUS Holding Corp (f/k/a Boston Communications Group, Inc.)	727,980	727,980

* a part of the existing advance to a wholly owned subsidiary in USA has been converted into capital during the year.

There are no provisions for doubtful debts / advances in respect of related parties as at the Balance Sheet date or amounts written-off or written back during the year in respect of debts due from or to related parties.

	for the year ended	
	31 December 2012	31 December 2011
	₹ 000s	₹ 000s
(25) Payments to Auditors		
Audit fees (including service tax)	1,348	1,324
Out of pocket expenses	80	76
Tax matters (including service tax)	—	138
Others (including service tax)	—	28
	1,428	**1,566**
(26) CIF value of imports		
Capital goods	—	12,580
Others	—	—
	—	**12,580**
(27) Expenditure in foreign currency		
Travel expenses	17,205	13,645
Software Development expenses	70,375	83,178
Others	13,761	3,172
	101,341	**99,995**
(28) Earnings in foreign currency		
Software development services	461,627	500,823
	461,627	**500,823**

(29) Quantitative details

The Company is in the business of development and maintenance of computer software. The development and sale of such software cannot be expressed in any generic unit. Hence, it is not possible to furnish the quantitative details and the information required under paragraphs 3, 4C and 4D of part II of Schedule VI to the Companies Act, 1956.

(30) Segmental Information

In accordance with AS 17 – Segment Reporting, segment information has been given in the consolidated financial statements of Megasoft Group and therefore no separate disclosure on segment information is given in these financial statements.

(31) Corporate Guarantees

The company has given a corporate guarantee for a foreign currency loan of US$ 8.00 million (Previous year - US$ 12.00 million) from Axis Bank, Hong Kong to XIUS Holding Corp (f/k/a Boston Communications Group, Inc.), USA.

(32) Forward contracts

Foreign exchange forward contracts outstanding at the end of the year is Nil (Previous year - USD 1 million approx. ₹ 48 million)

(33) Previous year comparatives

The company has prepared these financial statements as per the format prescribed by Revised Schedule VI to the Companies Act, 1956 ('the schedule') issued by Ministry of Corporate Affairs. Previous periods' figures have been recast / restated to conform to the classification required under revised Schedule VI.

(34) Cash flows

Cash flows are reported using the indirect method, whereby profit before tax is adjusted for the effects of transactions of a non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from regular revenue generating, financing and investing activities of the company are segregated. Cash flows in foreign currencies are accounted at average monthly exchange rates that approximate the actual rates of exchange prevailing at the dates of the transactions.

(35) Subsidiary companies details

The details of subsidiary companies are given in a separate statement attached to the accounts in terms of the general circular No 2/2011 dated 8 February 2011 of the Ministry of Corporate Affairs.

f/k/a - formerly known as

Statement regarding Subsidiary Companies pursuant to Section 212 of the Companies Act, 1956

Sl No	Name of the subsidiary	Country	Currency	Financial year ending of the subsidiary	Number of Shares in the subsidiary company held	Extent of holding	Net aggregate of profits / (losses) of the subsidiary company for the financial year so far as they concern the members of Megasoft Limited		Net aggregate amount of profits / (losses) of the subsidiary company for the previous financial years so far as they concern the members of Megasoft Limited	
							Dealt with or provided for in the accounts	Not dealt with or provided for in the accounts	Dealt with or provided for in the accounts	Not dealt with or provided for in the accounts
						%	₹ 000s	₹ 000s	₹ 000s	₹ 000s
1	Megasoft Consultants Sdn Bhd	Malaysia	MR	31-Dec-2012	500,000 of MR 1 each	100	—	1,661	—	64
2	Megasoft Consultants Pte Ltd	Singapore	S$	31-Dec-2012	100,000 of S$ 1 each	100	—	(629)	—	(199)
3	XIUS Holding Corp (f/k/a Boston Communications Group, Inc.)	USA	US$	31-Dec-2012	1,000 of US$ 0.001 each	100	—	—	—	(1,130,934)
4	Xius Corp (f/k/a Cellular Express, Inc.)	USA	US$	31-Dec-2012	100 of US$ 0.10 each	100	—	(1,198)	—	(574,649)
5	BCGI Wireless Private Limited	India	₹	31-Dec-2012	280,000 @ ₹ 10 each	100	—	—	—	29,450

For and on behalf of the Board of Directors

Hyderabad
23 February 2013

GV Kumar
Managing Director

D Sudhakar Reddy
Executive Director

GP Srinath
Vice-President (Finance) &
Company Secretary

Statement pursuant to general exemption under Section 212 of the Companies Act, 1956 relating to subsidiary companies

Sl No	Name of the subsidiary	Country	Reporting currency	Exchange Rate as on 31-Dec-2012	Issued and subscribed capital	Reserves	Total Assets	Total Liabilities	Investments (except in case of investment in subsidiaries)	Turnover	Profit / (Loss) before taxation	Provision for taxation	Profit / (Loss) after taxation	Proposed Dividend
				₹	₹ 000s	₹ 000s	₹ 000s	₹ 000s	₹ 000s	₹ 000s	₹ 000s	₹ 000s	₹ 000s	₹ 000s
1	Megasoft Consultants Sdn Bhd	Malaysia	MR	17.9369	8,968	1,725	28,289	17,595	—	100,644	2,080	419	1,661	—
2	Megasoft Consultants Pte Ltd	Singapore	S$	44.9001	4,490	(828)	4,014	352	—	876	(629)	—	(629)	—
3	XIUS Holding Corp (f/k/a Boston Communications Group, Inc.)	USA	US$	54.7773	692,716	(1,130,934)	—	438,218	—	—	—	—	—	—
4	Xius Corp (f/k/a Cellular Express, Inc.)	USA	US$	54.7773	—	(575,847)	1,041,407	1,617,254	—	909,681	(1,198)	—	(1,198)	—
5	BCGI Wireless Private Limited	India	₹	1.0000	2,800	29,450	35,643	3,393	—	—	—	—	—	—

For and on behalf of the Board of Directors

Hyderabad
23 February 2013

GV Kumar
Managing Director

D Sudhakar Reddy
Executive Director

GP Srinath
Vice-President (Finance) &
Company Secretary

Note: In terms of the general circular no. 02/2011 dated 8 February 2011 issued by the Ministry of Corporate Affairs and approval of the Board of Directors of the Company at its meeting held on 23 February 2013, the annual accounts of the subsidiary companies and the related detailed information will be made available upon request by the investors of the Company and of its subsidiary companies. These documents will also be available for inspection by any investor at the Registered Office of the Company at No.85, Kutchery Road, Mylapore, Chennai 600004, and that of the subsidiary companies concerned.

Notice of the Annual General Meeting

Notice is hereby given that the 13th Annual General Meeting of the Members of Megasoft Limited will be held on Wednesday the 15th day of May 2013 at 3.30 PM at The Music Academy, Kasturi Srinivasan Hall (Mini Hall), 168, TTK Road, Alwarpet, Chennai 600014, to transact the following business:

ORDINARY BUSINESS

(1) To receive, consider and adopt the audited Balance Sheet as at 31 December 2012 and the Profit and Loss Account for year ended on that date and the Report of the Directors and the Auditors thereon.

(2) To appoint a Director in place of Mr Anil Kumar Sood, who retires by rotation and being eligible, offers himself for re-election.

(3) To appoint a Director in place of Mr D Sudhakar Reddy, who retires by rotation and being eligible, offers himself for re-election.

(4) To appoint auditors to hold office from the conclusion of this Meeting until the conclusion of the next Annual General Meeting and to fix their remuneration:

RESOLVED that M/s Srikanth & Shanthi Associates, Chartered Accountants, Chennai, and M/s TN Rajendran & Co., Chartered Accountants, Chennai, be and are hereby appointed as the Joint Statutory Auditors of the company to hold office from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting at a remuneration as may be mutually agreed to, between the Board of Directors and the Auditors, plus applicable tax, reimbursement of out of pocket expenses, travelling and other expenses, in connection with the work of audit to be carried out by them.

SPECIAL BUSINESS

(5) To consider and if thought fit, to pass, with or without modification(s), the following resolution as Ordinary Resolution:

RESOLVED that pursuant to the provisions of Section 228 and other applicable provisions, if any, of the Companies Act, 1956, the Board of Directors of the company be and is hereby authorised to appoint Branch Auditors of any branch office of the company, whether existing or which may be opened / acquired hereafter, in India or abroad, in consultation with the company's Auditors, any person(s) qualified to act as Branch Auditor within the provisions of the said Section 228 and to fix their remuneration.

(6) To consider and if thought fit, to pass, with or without modification(s), the following resolution as Special Resolution:

RESOLVED that pursuant to the provisions of section 198, 269 and 309 read with Schedule XIII and any other applicable provisions of the Companies Act, 1956 or any amendment thereto from time to time, and subject to such approvals from the Central Government, if any, and all other statutory bodies / concerns as may be directed by the Central Government while granting its approval, the remuneration paid to Mr GV Kumar, Managing Director of the company, for the period 1 January 2012 to 31 December 2012, in accordance with the existing limits approved by the shareholders of the company in their 11th Annual General Meeting held on 17 June 2011, be and is hereby approved and ratified, in view of inadequacy of profits of the company during the financial year ended 31 December 2012.

RESOLVED FURTHER that as recommended by the Remuneration / Compensation Committee at its meeting held on 23 February 2013 and approved by the Board of Directors at its meeting held on 23 February 2013, the company continue to pay the existing remuneration as per the terms and conditions stated in the explanatory statement for the period 1 January 2013 to 31 March 2014 (3 years period i.e. 1 April 2011 to 31 March 2014 in terms of Clause (B) of Section II of Part II of Schedule XIII of the Companies Act, 1956).

RESOLVED FURTHER that the Board of Directors be and are hereby authorised to take all such steps as may be necessary, proper or expedient, to give effect to this resolution.

(7) To consider and if thought fit, to pass, with or without modification(s), the following resolution as Ordinary Resolution:

RESOLVED that pursuant to the provisions of section 198, 269 and 309 read with Schedule XIII and any other applicable provisions of the Companies Act, 1956 or any amendment thereto from time to time, and subject to such approvals from the Central Government, if any, and all other statutory bodies / concerns as may be directed by the Central Government while granting its approval, the remuneration paid to Mr D Sudhakar Reddy, Director in whole time employment of the company, for the period 1 January 2012 to 31 December 2012, in accordance with the existing limits approved by the shareholders of the company in their 11th Annual General Meeting held on 17 June 2011, be and is hereby approved and ratified, in view of inadequacy of profits of the company during the financial year ended 31 December 2012.

RESOLVED FURTHER that as recommended by the Remuneration / Compensation Committee at its meeting held on 23 February 2013 and approved by the Board of Directors at its meeting held on 23 February 2013, the company continue to pay the existing remuneration as per the terms and conditions stated in the explanatory statement for the period 1 January 2013 to 31 March 2016 (5 years period i.e. 1 April 2011 to 31 March 2016 in terms of Clause (A) of Section II of Part II of Schedule XIII of the Companies Act, 1956).

RESOLVED FURTHER that the Board of Directors be and are hereby authorised to take all such steps as may be necessary, proper or expedient, to give effect to this resolution.

By order of the Board of Directors
For **Megasoft Limited**

GP Srinath
Vice-President (Finance) &
Company Secretary

Hyderabad
23 February 2013

NOTES

(1) The relative Explanatory Statement pursuant to Section 173 of the Companies Act, 1956 in respect of the business under Item Nos.5 to 7 set out above and details as required under Clause 49 of the Listing Agreement entered into with the Stock Exchanges in respect of Directors seeking appointment / re-appointment at this Annual General Meeting are annexed hereto.

(2) A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON A POLL INSTEAD OF HIMSELF / HERSELF AND THE PROXY NEED NOT BE A MEMBER. The instrument appointing Proxy as per the format included in the Annual Report should be returned to the Registered Office of the Company not less than FORTY-EIGHT HOURS before the time for holding the Meeting. Proxies submitted on behalf of limited companies, societies, partnership firms, etc. must be supported by appropriate resolution / authority, as applicable, issued by the member organization.

(3) Corporate Members intending to send their authorised representatives to attend the meeting are requested to send to the Company, a certified copy of the Board Resolution authorising their representative to attend and vote in their behalf at the Meeting.

(4) The Register of Members and Share Transfer Books will remain closed from 8 May 2013 to 15 May 2013 (both days inclusive) in connection with the Annual General Meeting.

(5) The Register of Directors' Shareholding, maintained under Section 307 of the Companies Act, 1956, will be available for inspection by the members at the AGM.

(6) The Register of Contracts, maintained under Section 301 of the Companies Act, 1956 will be available for inspection by the members at the Registered Office of the company.

(7) The Certificate from the Auditors of the company certifying that the company's Employee Stock Option Schemes is being implemented in accordance with the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and in accordance with the resolution of the Members passed in the general meeting, will be available for inspection by the Members at the AGM.

(8) All documents referred to in the Notice and Explanatory Statements are open for inspection at the Registered Office of the company on all working days from 11.00 a.m. to 3.00 p.m. up to the date of the Meeting except holidays.

(9) Members desiring any information as regards the Accounts are requested to write to the company at an early date so as to enable the Management to keep the information ready at the Meeting.

(10) Members who are holding physical shares in more than one Folio are requested to intimate to the company / Registrar & Share Transfer Agents the details of all their Folio numbers for consolidation into a single Folio.

(11) Members holding shares in dematerialised mode are requested to intimate all changes pertaining to their bank details, NECS, mandates, nominations, power of attorney, change of address / name, PAN details, etc. to their Depository Participant only and not to the Company's Registrars and Transfer Agents. Changes intimated to the Depository Participant will then be automatically reflected in the Company's records which will help the Company and its Registrars and Transfer Agents to provide efficient and better service to the Members.

(12) As per Securities and Exchange Board of India (SEBI) notification, submission of Permanent Account Number (PAN) is compulsorily required for participating in the securities market, deletion of name of deceased shareholder or transmission / transposition of shares. Members holding shares in dematerialised mode are requested to submit the PAN details to their Depository Participant, whereas Members holding shares in physical form are requested to submit the PAN details to the Company's Registrars and Transfer Agents.

(13) Members wishing to claim dividends, which remain unclaimed, are requested to correspond with the Company Secretary, at the company's registered office. Members are requested to note that dividends not encashed or claimed within seven years from the date of transfer to the Company's Unpaid Dividend Account, will, as per Section 205A of the Companies Act, 1956, be transferred to the Investor Education and Protection Fund. Members' attention is particularly drawn to the "Corporate Governance" section in respect of unclaimed and unpaid dividends.

(14) Members are requested to address all correspondences to the Registrar and Share Transfer Agents, Cameo Corporate Services Limited, Subramanian Building, No.1, Club House Road, Chennai 600002, India.

(15) The company has implemented the 'Green Initiative' as per Circular Nos. 17/2011 dated 21 April 2011 and 18/2011 dated 29 April 2011 issued by the Ministry of Corporate Affairs (MCA) to enable electronic delivery of notices / documents and annual reports to shareholders. The email address indicated in your respective Depository Participant (DP) accounts which will be periodically downloaded from NSDL / CDSL will be deemed to be your registered email address for serving notices / documents including those covered under Section 219 of the Companies Act, 1956. The Notice of AGM and the copies of audited financial statements, directors' report, auditors' report etc. will also be displayed on the website www.megasoft.com of the company and the other requirements of the aforesaid MCA circular are being complied with. Members holding shares in electronic mode are therefore requested to keep their email addresses updated with their respective Depository Participants. Members holding shares in physical mode are also requested to update their email addresses by writing to the Registrar and Transfer Agent of the company at the address mentioned herein quoting their folio number(s).

(16) As an austerity measure, copies of the Annual Report will not be distributed at the Annual General Meeting. Members / Proxies are requested to bring their attendance slip along with a copy of Annual Report to the Meeting.

EXPLANATORY STATEMENT

(Pursuant to Section 173(2) of the Companies Act, 1956)

Item No.5

The company has branches in India and abroad and may also open new branches in India and abroad in future. It may be necessary to appoint branch auditors for carrying out the audit of the accounts of such branches. The shareholders are requested to authorise the Board of Directors of the company to appoint branch auditors in consultation with the company's Auditors and to fix their remuneration.

No Director is in any way concerned or interested in the resolution.

Your directors recommend the said resolution for approval of the Members.

Item no.6

The Board of Directors, in its meeting held on 28 February 2011 reappointed Mr GV Kumar as Managing Director of the company, for a period of five years w.e.f. 1 April 2011 which was subsequently approved by the shareholders in the 11th Annual General Meeting held on 17 June 2011 by way of a special resolution. Since the company was having sufficient profits during the preceding three financial years 2009, 2010 and 2011 the question of loss / inadequacy of profits for payment of remuneration does not arise.

The details of remuneration as approved at the 11th Annual General Meeting held on 17 June 2011 is given below:

(i) Salary: ₹ 190,000 per month.

(ii) Perquisites

- (a) House rent allowance up to 50% of salary.
- (b) Reimbursement of medical expenses @ ₹ 1,250 per month.
- (c) Leave travel concession / allowance as per the rules of the company.
- (d) Club Membership of two clubs.
- (e) Group Mediclaim Insurance coverage as per rules of the company.
- (f) Group Personal Accident Insurance coverage as per rules of the company.
- (g) Other allowances as per rules of the company.

(iii) Other benefits

- (a) Leave with salary as per rules of the company.
- (b) Provident Fund as per rules thereof.
- (c) Gratuity as per rules of the company.
- (d) Encashment of leave as per rules of the company.
- (e) Chauffeur driven car for business and personal usage.
- (f) Reimbursement of telephone expenses for business purposes as per rules of the company.

The financial year 2012 was however quite challenging period for the industry and the company has lower revenue and profitability, specifically post global economic meltdown over the last couple of years. Due to above cited reasons, the company did not have sufficient profits as prescribed under section 198, 309 read with Schedule XIII of Companies Act, 1956 during financial year 2012 to cover the existing managerial remuneration of its Managing / Executive Directors as fixed by the Board / Shareholders at the time of re-appointment.

Further, Clause (B) of Section II of Part II of Schedule XIII of the Companies Act, 1956 inter alia states that if in any financial year, a company has no profits or its profits are inadequate, then the approval of Remuneration Committee and shareholders' approval by way of a special resolution is required for payment of remuneration to the Managing Director for a period of three years.

Accordingly, the Remuneration Committee of the company at its meeting held on 23 February 2013, unanimously approved the payment of managerial remuneration of Mr GV Kumar made to him for the financial year 2012 as well as remuneration to be paid / payable to him for the period 1 April 2011 to 31 March 2014, as per the terms of Board and Shareholders' approval granted to him at the time of his re-appointment at the 11th Annual General Meeting held on 17 June 2011.

The Board of Directors also approved the same at its meeting held on 23 February 2013, subject to approval of the shareholders by way of a special resolution pursuant to the provisions of section 198, 269 and 309 read with schedule XIII and any other applicable provisions of the Companies Act, 1956 or any amendment thereto from time to time.

In compliance with the provisions of section 309 of the Companies Act, 1956, consent of the Shareholders is being sought by way of special resolution at Item No. 6 for ratification of payment of managerial remuneration of Mr GV Kumar made to him during the financial year 2012 as well as remuneration to be paid / payable to him for the period 1 April 2011 to 31 March 2014 as per the terms of Board and Shareholders' approval granted to him at the time of his re-appointment.

Information as required to be furnished under sub paragraph (iv) of Clause (B) of Section II of Part II of Schedule XIII of the Companies Act, 1956

(I) General Information

(i) Nature of industry

Megasoft Limited ("Megasoft") is a unique Indo-American trans-national company that combines the best practices of both cultures (Indian and American), creating a high quality and cost effective entity with a focus on the global telecommunications domain. This enables Megasoft to gain and retain significant knowledge in these domains – and translate such knowledge into value for its customers.

(ii) Date or expected date of commencement of commercial production

Your company is already in commercial production.

(iii) In case of new companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus

Not Applicable

(iv) Financial performance for the year ended 31 December 2012

	Standalone	Consolidated
	₹ million	₹ million
Revenues	462	1154
EBIDTA	54	217
Profit after tax	12	12
Dividend	Nil	Nil

(v) Export Performance and net foreign exchange collaborations

During the financial year ended 31 December 2012, the company achieved an export turnover of ₹ 462 million.

(vi) Foreign investments or collaborators, if any Nil, during the financial year ended 31 December 2012.

(II) Information about the appointee

Mr GV Kumar, aged 46 years, has over two decades of experience in IT & Telecom industries. Before joining Megasoft he held various senior management positions at Godrej Group of India. His last assignment with them was for more than three years as CEO, Godrej Telecom Limited, the Telecom arm of Godrej Group. He is an Electrical Engineer with Post Graduate degree in Management.

Remuneration paid to Mr GV Kumar, Managing Director during the year 2012, for the period from 1 January 2012 to 31 December 2012 was ₹ 3.90 million.

Mr GV Kumar is a highly qualified professional and the company has engaged his services based on his managerial and technical capabilities. Your Board of Directors fixed his compensation package commensurate with his capabilities and responsibilities.

Remuneration proposed to be paid to Mr GV Kumar for the period is as set out in the Notice at Item No.6. The proposed remuneration is in tune with the remuneration in similar sized industries in same segment of business.

Other than the remuneration stated above, Mr GV Kumar has no other pecuniary relationship directly or indirectly with the company.

(III) Other Information

(a) Reasons for loss or inadequate profits

The global economic meltdown over the last couple of years and loss of a major customer during the last quarter of 2011 resulted in lower revenues and profitability during the financial year 2012.

(b) Steps taken or proposed to be taken for improvement

The global economic downturn and slight recent recovery have hindered, and continue to limit, capital availability to the Telecom industry. However, there are still areas of mobile operator investment for which the company has existing solutions and capabilities, namely in 4G/LTE mobile infrastructure and mobile commerce. Earlier investment of resources, as well as implementations that we have leveraged to expand our knowledge and expertise, have enabled the company to position itself with a solution suite to meet the needs of the market.

(c) Expected increase in productivity and profits in measurable terms

The company has implemented various economic measures post loss of a major customer during the last quarter of 2011 and with the new orders in the pipeline at advanced stage, the company is expected to post better results in the coming years.

(IV) Disclosures

Necessary disclosures have been made in the Corporate Governance report with regard to remuneration details of the directors, which forms part of this Annual Report.

This explanatory statement together with the accompanying notice is, and may be treated as an abstract of the terms of the contract and memorandum of interest in relation to payment of remuneration to Mr GV Kumar pursuant to Sec 302 of the Companies Act, 1956.

Your Directors, therefore, recommend the resolution for your approval as special resolution.

Mr GV Kumar, being concerned, is interested in the resolution. None of the other directors of the company are concerned or interested in the resolution.

Item no.7

The Board of Directors, in its meeting held on 28 February 2011 reappointed Mr D Sudhakar Reddy, as a Director in whole time employment of the company, for a period of five years w.e.f. 1 April 2011 which was subsequently approved by the shareholders in the 11th Annual General Meeting held on 17 June 2011 by way of an ordinary resolution. Since the company was having sufficient profits during the preceding three financial years 2009, 2010 and 2011 the question of loss / inadequacy of profits for payment of remuneration does not arise.

The details of remuneration as approved at the 11th Annual General Meeting held on 17 June 2011 is given below:

(i) Salary: ₹ 65,000 per month.

(ii) Perquisites

- (a) House rent allowance up to 50% of salary.
- (b) Reimbursement of medical expenses @ ₹ 1,250 per month.
- (c) Leave travel concession / allowance as per the rules of the company.
- (d) Club Membership of two clubs.
- (e) Group Mediclaim Insurance coverage as per rules of the company.
- (f) Group Personal Accident Insurance coverage as per rules of the company.
- (g) Other allowances as per rules of the company.

(iii) Other benefits

- (a) Leave with salary as per rules of the company.
- (b) Provident Fund as per rules thereof.
- (c) Gratuity as per rules of the company.
- (d) Encashment of leave as per rules of the company.
- (e) Chauffeur driven car for business and personal usage.
- (f) Reimbursement of telephone expenses for business purposes as per rules of the company.

The financial year 2012 was however quite challenging period for the industry and the company has lower revenue and profitability, specifically post global economic meltdown over the last couple of years. Due to above cited reasons, the company did not have sufficient profits as prescribed under section 198, 309 read with Schedule XIII of Companies Act, 1956 during financial year 2012 to cover the existing managerial remuneration of its Managing / Executive Directors as fixed by the Board / Shareholders at the time of re-appointment.

Further, Clause (A) of Section II of Part II of Schedule XIII of the Companies Act, 1956 inter alia states that if in any financial year, a company has no profits or its profits are inadequate, then the approval of Remuneration Committee and shareholders' approval by way of an ordinary resolution is required for payment of remuneration to the Executive Director for a period of five years.

Accordingly, the Remuneration Committee of the company at its meeting held on 23 February 2013, unanimously approved the payment of managerial remuneration of Mr D Sudhakar Reddy made to him for the financial year 2012 as well as remuneration to be paid / payable to him for the period 1 April 2011 to 31 March 2016, as per the terms of Board and Shareholders' approval granted to him at the time of his re-appointment at the 11th Annual General Meeting held on 17 June 2011.

The Board of Directors also approved the same at its meeting held on 23 February 2013, subject to approval of the shareholders by way of a ordinary resolution pursuant to the provisions of section 198, 269 and 309 read with schedule XIII and any other applicable provisions of the Companies Act, 1956 or any amendment thereto from time to time.

In compliance with the provisions of section 309 of the Companies Act, 1956, consent of the Shareholders is being sought by way of an ordinary resolution at Item No.7 for ratification of payment of managerial remuneration of Mr D Sudhakar Reddy made to him during financial year 2012 as well as remuneration to be paid / payable to him for the period 1 April 2011 to 31 March 2016 as per the terms of Board and Shareholders' approval granted to him at the time of his re-appointment.

This explanatory statement together with the accompanying notice is, and may be treated as an abstract of the terms of the contract and memorandum of interest in relation to payment of remuneration to Mr D Sudhakar Reddy pursuant to Sec 302 of the Companies Act, 1956.

Your Directors, therefore, recommend the resolution for your approval as ordinary resolution.

Mr D Sudhakar Reddy, being concerned, is interested in the resolution. None of the other directors of the company are concerned or interested in the resolution.

By order of the Board of Directors
For **Megasoft Limited**

GP Srinath
Vice-President (Finance) &
Company Secretary

Hyderabad
23 February 2013

ADDITIONAL INFORMATION ON DIRECTORS SEEKING APPOINTMENT / RE-APPOINTMENT AT THE 13TH ANNUAL GENERAL MEETING PURSUANT TO CLAUSE 49 OF THE LISTING AGREEMENT

The brief resume, experience and functional expertise and the membership on the various Boards and Committees, of Directors proposed to be re-appointed / appointed at Sl. Nos. 2 and 3 of the Notice of the AGM as required under Clause 49 of the Listing Agreement are given below:

Name of the Director	Anil Kumar Sood	D Sudhakar Reddy
Date of Birth	1 January 1963	15 June 1958
Date of Appointment	28 April 2007	06 March 2000
Qualification	PGDM and Fellow of IIM, Ahmedabad	Fellow Member of The Institute of Chartered Accountants of India
Experience in Specific-functional area	His industry experience includes management accounts, business development and financial accounting assignments with Smithkline Beecham Consumer Health Limited, Delhi from 1983 to 1986 and executive (Business Head) responsibilities with Scientific Engineering (P) Limited, Hyderabad from 1989 to 1990. He has served as a Professor of Finance at the Administrative Staff College of India (ASCI) for about 12 years. He has served a term on the Board of Directors of Andhra Bank and has worked as a member of Technical Experts Committee for Restructuring of Punjab and Sind Bank.	He was in practice for over fifteen years and is an expert in Finance, Tax and Corporate Laws
List of companies in which directorship held in other companies		Megasoft Consultants Pte Ltd Megasoft Consultants Sdn Bhd NMR Property Development Private Limited Sri City Private Limited Suprani Farms Private Limited Sricity Holdings India Private Limited BCGI Wireless Private Limited Sricity Utility Services Private Limited Madras Stock Exchange Limited
Chairman / Members of the Committee of the Board of companies in which he is Director	Chairman of Remuneration / Compensation Committee of the company Member of Audit Committee of the company	Member of the Share Transfer / Investors' Grievance Committee of the company
Shareholding in the company (equity shares of ₹ 10 each)	Nil	Nil

MEGASOFT

MEGASOFT LIMITED

Registered Office : 85, Kutchery Road, Mylapore, Chennai 600004

PROXY FORM

Regd. Folio No. [ ][ ][ ][ ][ ][ ][ ][ ][ ]

DP / Client ID* [ ][ ][ ][ ][ ][ ][ ][ ][ ][ ][ ][ ][ ][ ][ ][ ]

I/We.. of .... in the district of

.... being a member/members of the Company hereby appoint

.... of .... in the district of

.... or failing him/her .... of ....

in the district of .... as my/our proxy to vote for me/us on my/our behalf at the **13th ANNUAL GENERAL MEETING** of the Company to be held at The Music Academy, Kasturi Srinivasan Hall (Mini Hall), 168, TTK Road, Royapettah, Chennai 600014 at 3.30 PM on Wednesday, the 15th day of May 2013 and at any adjournment(s) thereof.

Signed this .... day of May 2013

Signature ....

Affix
₹ 1/-
Revenue
Stamp

Note : This form, in order to be effective, should be duly stamped, completed and signed and must be deposited at the Registered Office of the Company, not less than 48 hours before the meeting.

* For share(s) held in electronic form.

MEGASOFT

MEGASOFT LIMITED

Registered Office : 85, Kutchery Road, Mylapore, Chennai 600004

ATTENDANCE SLIP

Regd. Folio No. [ ][ ][ ][ ][ ][ ][ ][ ][ ] No. of shares held [ ][ ][ ][ ][ ][ ]

DP / Client ID* [ ][ ][ ][ ][ ][ ][ ][ ][ ][ ][ ][ ][ ][ ][ ][ ]

I certify that I am a Member/Proxy for the Member of the Company.

I hereby record my presence at the **13th ANNUAL GENERAL MEETING** of the Company at The Music Academy, Kasturi Srinivasan Hall (Mini Hall), 168, TTK Road, Royapettah, Chennai 600014 at 3.30 PM on Wednesday, the 15th day of May 2013.

....

Member's/Proxy's name in BLOCK Letters Signature of Member/Proxy

Note : Please fill up this attendance slip and hand it over at the entrance of the meeting hall.
Members are requested to bring their copies of the Annual Report to the meeting.

* For share(s) held in electronic form.

GLOBAL **offices**

INDIA

Megasoft Limited
85, Kutchery Road
Mylapore, Chennai 600004
Phone: +91 44 24616768
Fax: +91 44 24617810
Email : contactin@megasoft.com

6-3-1192/2/1, Kundanbagh
Begumpet, Hyderabad 500016
Phone: +91 40 40330000
Fax: +91 40 40133555
Email : contactin@megasoft.com

UNITED STATES

Megasoft Limited
42467 Hundonmoore DR
Chantilly
VA 20152, USA

XIUS Holding Corp
500 West Cummings Park,
Suite 2100, Woburn,
MA 01801
Phone: +1 781-904-5000
Fax: +1 781-904-5601

XIUS Corp
500 West Cummings Park,
Suite 2100, Woburn,
MA 01801
Phone: +1 781-904-5000
Fax: +1 781-904-5601

SINGAPORE

Megasoft Consultants Pte Ltd
Block 615, #04-251,
ChoaChu Kang Street-62,
Singapore 680615
Tel: +65-6769 9748

MALAYSIA

Megasoft Consultants Sdn Bhd
Suite 18-3, D' Wangsa,
Jalan Wangsa Delima 11,
53300 Kuala Lumpur,
Malaysia
Tel No. +60-3-4142 0071,
Fax No. +60-3-4147 4144

Quality Policy

XIUS is committed to create & deliver innovative products and solutions that are consistently high quality, deliver on time, at optimum cost.

Our quality implementation efforts are all pervasive, beginning with a stated goal.

XIUS®
INNOVATE. LEAD.