



Leadership



Focus



Execution

Annual Report

2013

MEGASOFT LIMITED



Quality Policy

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

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

Information Security Policy

It is imperative that we ensure confidentiality, integrity and availability of information assets and implement appropriate security controls that will enable us to achieve our business goals.





Corporate Information

Board of Directors

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

Vice-President (Finance) and Company 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

BSE Limited
National Stock Exchange of India Limited
Madras Stock Exchange Limited

Contents	Page No.
Statutory reports	
Directors' Report	02
Corporate Governance Report	05
Management's discussion and analysis	15
Auditors' Certificate on Corporate Governance	22
Financial statements - Consolidated	
Auditors' Report	24
Balance Sheet	25
Statement of Profit and Loss	26
Cash Flow statement	27
Notes to the consolidated financial statements	28
Financial statements - Standalone	
Auditors' Report	40
Balance Sheet	43
Statement of Profit and Loss	44
Cash Flow Statement	45
Notes to the financial statements	46
Notice of the AGM	60

MEGASOFT LIMITED
CIN : L72200TN1999PLC042730

14th Annual Report 2013

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 2013.

FINANCIAL RESULTS

(₹ million)

Particulars	Standalone		Consolidated	
	31 December		31 December	
	2013	2012	2013	2012
Revenues	506	462	1,055	1,154
Total expenditure	397	409	792	939
Finance cost	54	33	112	106
Depreciation	28	34	119	123
Operating profit / (loss)	27	(14)	32	(14)
Profit before tax	31	16	29	16
Less: Taxes	2	4	2	4
Profit after tax	29	12	27	12
Earnings per share (equity shares, par value ₹ 10 each)				
Basic (₹)	0.66	0.27	0.60	0.26
Diluted (₹)	0.62	0.26	0.57	0.25

OVERVIEW

During the financial year ended 31 December 2013, your company recorded consolidated revenues of ₹ 1055 million as compared to ₹ 1,154 million in the previous financial year. The consolidated profit was ₹ 27 million as compared to ₹ 12 million in 2012.

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's Discussion and Analysis section, which forms a part of this annual report.

SUBSIDIARY COMPANIES

The statement pursuant to Section 212(1)(e) of the Companies Act, 1956 in respect of subsidiaries is attached. The consolidated financial statements duly audited are presented as part of this Report in accordance with Accounting Standard 21 and the Listing Agreement with the Stock Exchanges, wherever applicable. The Ministry of Corporate Affairs vide General Circular No. 2/2011 dated 8th February 2011 has provided an exemption to companies subject to certain conditions from attaching the audited financial statements of subsidiary companies. Accordingly, the audited financial statements of the subsidiary companies are not attached and your company has complied with all the conditions of aforesaid circular. The audited financial statements of subsidiaries will be made available for inspection by any shareholder at the company's registered office and at respective registered offices of subsidiary companies. Copies can be made available, on request to the shareholders of the holding and subsidiary companies.

CORPORATE GOVERNANCE

A report on Corporate Governance including the relevant Auditors' Certificate regarding compliance with the conditions of Corporate Governance as stipulated in Clause 49 of the listing agreement with the stock exchanges is annexed. Management's Discussion and Analysis is also annexed.

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:

- Conservation of Energy:** Your company is entirely a services company and thus essentially, a non-energy intensive organization. Your company acknowledges that power conservation is a necessity not only for future availability, but also environmental safety. Thus, your company has in place adequate safeguards against excessive consumption and wastage of energy, in form of energy-friendly apparatus as well as minimal usage policies. All the computer terminals, air-conditioning systems, lighting and utilities are modern technology enabled so that optimum use of energy and power can be made.
- 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.
- 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 endeavor 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 up gradation through its extensive Research and Development operations. The launch of its 4G platform and the MSP 4.0 are

outcome of this Technology focus of your company. 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 forming part of the Standalone Accounts of the 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

During the year under review, your company did not accept or invite any deposits from the public.

EXPLANATION TO QUALIFICATION BY AUDITORS IN THEIR REPORT

The auditors of your company have mentioned about the delays in remittances of statutory dues [clause ix (a)] and delays in payment of monthly loan installment amounts [clause xi] in the annexure to the Independent Auditors' Report. Your company's cash flow continued to be affected during the year due to loss of a major customer in second half of 2013, lower revenues on changing global market scenario, stretched sales realisations and loan repayments of ₹ 270 million during the year. This resulted in delayed statutory payments and payment of monthly loan installment amounts. However, as on the date of the balance sheet, all dues in this regard have been settled in full.

DIRECTORS

Mr GV Kumar and Mr R Janardhana Reddy, directors of your company, retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for reappointment.

HUMAN RESOURCES DEVELOPMENT

Your company recognizes 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

In terms of provisions of Section 224 of the Companies Act, 1956, M/s Srikanth & Shanthi Associates and M/s TN Rajendran & Co., Chartered Accountants, retire at this Annual General Meeting and being eligible, offer themselves for re-appointment. Pursuant to the recommendation of the Audit Committee at their meeting held on 22 February 2014 recommending re-appointment of M/s Srikanth & Shanthi Associates and M/s TN Rajendran & Co., Chartered Accountants, as Joint Statutory Auditors of the Company, for the financial year 2014, the Board of Directors have, subject to the approval of the shareholders, at their meeting held on 22 February 2014 approved the re-appointment of M/s Srikanth & Shanthi Associates and M/s TN Rajendran & Co., Chartered Accountants, as Joint Statutory Auditors of the Company for the financial year 2014 and to hold office till the conclusion of the next Annual General Meeting.

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
22 February 2014

GV Kumar
Managing Director

R Janardhana Reddy
Director

Annexure to the Directors' Report

Employees Stock Option Plans

	Particulars	ESOS 2007
	Options outstanding as at the beginning of the year	2,325,000
(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**	2,325,000
(d)	Options Exercised**	—
(e)	Total no. of shares arising as result of exercise of Options	—
(f)	Options lapsed *	—
(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-December-2013	
	* 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' (₹)	0.62
(l)	Pro Forma Adjusted Net Income and Earnings Per Share	
	Particulars	₹ Millions
	Net Income	
	As Reported	29.03
	Add: Intrinsic Value Compensation Cost	0.00
	Less: Fair Value Compensation Cost	1.96
	Adjusted Pro Forma Net Income	27.08
	Earnings Per Share: Basic	
	As Reported (₹)	0.66
	Adjusted Pro Forma (₹)	0.61
	Earnings Per Share: Diluted	
	As Reported (₹)	0.62
	Adjusted Pro Forma (₹)	0.59

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 *	No of 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	--	--	1	--	--
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 Reddy	Independent Non-Executive	02544300	31/01/2009	--	--	--	400	0.00
SV Ramkumar	Independent Non-Executive	00460119	28/02/2012	--	--	--	--	--

* 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 2013

Dates on which the Board Meetings were held	Total Strength of the Board	No of Directors Present
23 February 2013	6	5
15 May 2013	6	4
14 August 2013	6	5
13 November 2013	6	5

Director	Attendance at the board meetings held during 2013				Attendance at the AGM held during 2013
	February 23	May 15	August 14	November 13	May 15
GV Kumar	✓	✓	✓	✓	✓
D Sudhakar Reddy	✓	✓	✓	✓	✓
Anil Kumar Sood	✓	✓	✓	✓	✓
R Janardhana Reddy	✓	✓	✓	✓	✓
Anish Mathew	✓	Leave of Absence	Leave of Absence	✓	Leave of Absence
SV Ramkumar	Leave of Absence	Leave of Absence	✓	Leave of Absence	Leave of Absence

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 2013.

Director	Attendance at the Audit Committee Meetings held during 2013			
	February 23	May 15	August 14	November 13
R Janardhana Reddy, <i>Chairman</i>	✓	✓	✓	✓
Anil Kumar Sood	✓	✓	✓	✓
Anish Mathew	✓	Leave of Absence	Leave of Absence	✓
SV Ramkumar	Leave of Absence	Leave of Absence	✓	Leave of Absence

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 23, 2013.

The company pays 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, <i>Chairman</i>	1	1
R Janardhana Reddy	1	1
Anish Mathew	1	0

The members at the 12th Annual General Meeting 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 ₹ 000s	Commission ₹ 000s	Sitting fees ₹ 000s	Total ₹ 000s
GV Kumar	3,899	—	—	3,899
D Sudhakar Reddy	1,309	—	—	1,309
Anil Kumar Sood	—	—	135	135
R Janardhana Reddy	—	—	135	135
Anish Mathew	—	—	75	75
SV Ramkumar	—	—	30	30

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 (then prevailing 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 (then prevailing 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 Reddy, 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.

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 twelve 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
2013	13th	The Music Academy Kasturi Srinivasan Hall (Mini Hall) 168, TTK Road, Alwarpet Chennai 600014	15 May 2013	3.30 PM	Payment of remuneration to GV Kumar, Managing Director
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 USA

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 2013 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 2013, the company announced the audited annual financial results on 22 February 2014. 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 10.00 AM on Wednesday, the 25th day of June 2014 at Narada Gana Sabha (Mini Hall), 314, TTK Road, Alwarpet, Chennai 600018.

■ Financial calendar for 2014

1 January to 31 December

Unaudited quarterly results for 2014

First quarter – first half of May 2014

Second quarter / half yearly – first half of August 2014

Third quarter – first half of November 2014

Annual results for the year ending 31 December 2014 – February 2015

Annual General Meeting for the year ending 31 December 2014 – May / June 2015

■ Date of book closure

18 June 2014 to 25 June 2014 (both days inclusive)

■ Listing on Stock Exchanges

The company's equity shares are listed in India:

BSE 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.

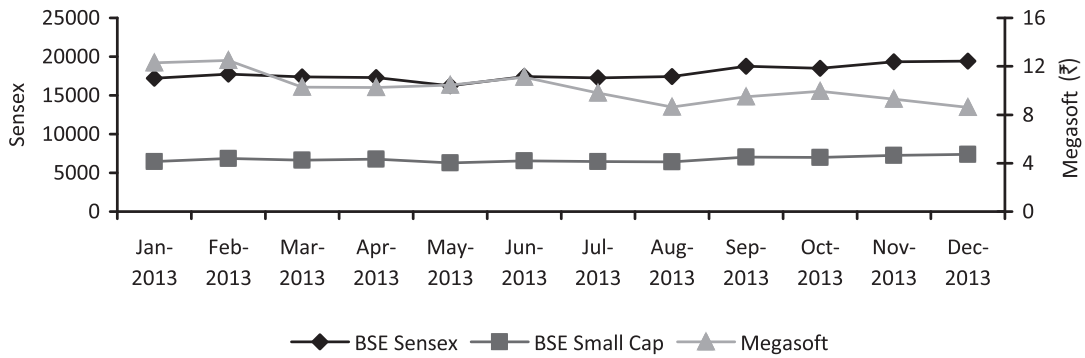
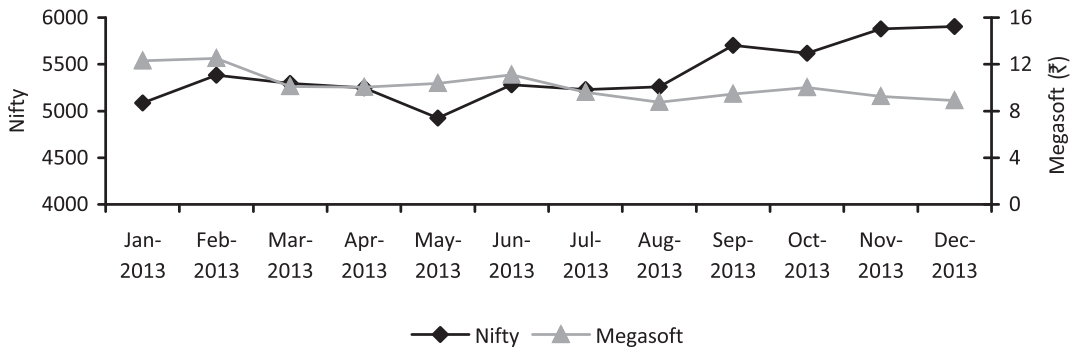
■ Stock Code

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

■ Stock market data

	BSE Limited				National Stock Exchange of India Limited			
	High	Low	Close	Volume	High	Low	Close	Volume
	₹	₹	₹	Nos	₹	₹	₹	Nos
January	13.99	8.56	9.15	1,028,850	13.90	8.65	9.10	1,616,373
February	10.05	7.40	7.55	192,605	10.15	7.25	7.75	256,476
March	9.90	5.75	6.21	286,367	9.95	5.70	6.20	300,348
April	7.99	5.85	7.11	205,095	8.00	5.90	7.15	292,020
May	8.85	6.61	7.36	164,649	8.80	6.20	7.40	221,917
June	7.60	5.55	6.17	182,914	7.45	5.50	6.10	197,161
July	7.00	5.31	5.97	149,340	6.95	5.35	5.70	134,428
August	6.95	5.11	6.32	93,251	6.90	5.15	6.35	210,915
September	8.86	6.40	6.55	211,775	8.80	6.50	7.10	238,021
October	8.10	6.51	6.90	118,447	8.00	6.55	6.95	98,929
November	7.25	5.86	6.19	100,670	7.20	5.80	6.35	139,828
December	7.37	6.01	6.75	314,338	7.35	6.10	6.75	156,832

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



■ Distribution of shareholding as on 31 December 2013

No of Shares held	No of Shareholders	% of Shareholders	No of Shares	% of Shareholding
1-5000	21,624	87.02	2,276,356	5.14
5001-10000	1,489	5.99	1,164,288	2.63
10001-20000	734	2.96	1,094,416	2.47
20001-30000	264	1.06	673,867	1.52
30001-40000	150	0.61	528,198	1.20
40001-50000	112	0.45	528,096	1.19
50001-100000	212	0.85	1,607,072	3.63
100001 & Above	264	1.06	36,395,000	82.22
Total	24,849	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 2013.

Category	Number of shareholders	Number of shares	% to total equity
Demat mode			
NSDL	17,468	33,162,435	74.91
CDSL	6,539	6,666,424	15.06
Total	24,007	39,828,859	89.97
Physical mode	842	4,438,434	10.03
Grand Total	24,849	44,267,293	100.00

■ **Categories of shareholders**

	Category of shareholder	No. of share holders	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	87	0.00
	Venture Capital Funds	1	3,762,375	8.50
	Insurance Companies	1	30,478	0.07
	Foreign Institutional Investors	4	4,321,943	10.57
	Sub Total B(1)	9	9,883,760	22.33
2	Non-institutions			
	Bodies Corporate	575	6,062,454	13.69
	Individuals			
	Individual shareholders holding nominal share capital up to ₹ 1 lakh	23,186	6,725,000	15.19
	Individual shareholders holding nominal share capital in excess of ₹ 1 lakh	169	12,379,076	27.96
	Others:			
	Directors & their Relatives	6	2,409,235	5.44
	HUF	636	595,134	1.34
	Trusts	4	2,325	0.01
	Foreign Company	1	1,747,872	3.95
	NRI	231	1,222,130	2.76
	OCB	1	31	0.00
	Clearing Members	26	36,320	0.08
		905	6,013,047	13.58
	Sub Total B(2)	24,835	31,179,577	70.43
	Total Public Shareholding (B)=B(1)+B(2)	24,845	41,063,337	92.76
	Total (A+B)	24,849	44,267,293	100.00

Shareholders holding more than 1% of the equity share capital

	Name of the shareholder	No. of shares	% of shareholding
1	I Labs Venture Capital Fund	3,762,375	8.50
2	Ashish Dhawan	3,554,769	8.03
3	S Ravindra Babu	2,688,768	6.07
4	GV Kumar	2,226,911	5.03
5	Copthall Mauritius Investment Limited	1,978,712	4.47
6	Sri Power Generation (India) Private Limited	1,769,822	4.00
7	SAIF II Mauritius Company Limited	1,747,872	3.95
8	Birla Sun Life Trustee Company Pvt Ltd A/C Birla Sun Life Equity Fund	1,515,748	3.42
9	Godavari Greenlands Private Limited	1,343,750	3.04
10	Deutsche Securities Mauritius Limited	1,197,125	2.70
11	Morgan Stanley Mauritius Company Limited	1,040,481	2.35
12	Satyavathi Dendukuri	835,500	1.89
13	Srinivas Raju D	747,600	1.69
14	S Ravindra Babu – HUF	512,126	1.15
15	Venturetech Solutions P Ltd	458,250	1.04
		24,867,683	57.33

■ 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		11,300,000	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's Discussion and Analysis

(1) Background and overview

The financial year 2013 continued to be particularly difficult for the Industry in general and for your company specifically. The company, as you may be aware, lost its prepaid system contract with its largest customer in the middle of 2013, lowering revenues by around 25% for the current year. In counterbalance to that, the company was able to land several new contracts during the second half of 2013, the full year effect of which will be recognised in 2014. However, as was done in 2012, the continuance of the company's 'cash and caution' policy enabled the company to remain profitable at the end of the financial year. The company continues to possess and execute upon its strong sales pipeline and is confident in its ability to continue to add additional new contracts to further offset the loss of our largest prepaid customer.

The company and management continue their focus and long-term commitment to R&D. The company has continued to maintain and grow its patent portfolio during the past year. The company invested in new additional roadmap and customer-requested feature functionality across both of its core product suites (Mobile Infrastructure Solutions and Services as well as Mobile Banking and Payments Solutions). Additionally, the company continues its expansion and application of its core capabilities in mobile transaction processing and enablement to create new product offerings that leverage the mobile depth and experience possessed by the company and its employees – creating new offerings to be launched during 2014.

(2) Financial results

The company reported a turnover of ₹ 1,055 million in 2013 as against ₹ 1,154 million in 2012. This generated an overall profit of ₹ 27 million for the financial year under review.

(3) Business and Industry Outlook

The company operates in two key mobile technology segments, namely core network infrastructure and mobile payments. Both these segments are subject to macro economic business outlook and capital spending especially in the Telecom sector.

As per International Business Report, the global economy grew by approximately 2.9% in 2013, its slowest rate since 2009. Global business optimism remained fairly consistent in 2013, averaging net 28% across the year. In particular, telecom capital spending remained subdued and many telecom stocks underperformed in global markets.

Industry Trends

The ITU reports that half the world's population was covered by a third-generation (3G) mobile broadband network in 2013. Migration to long-term evolution (LTE) technology mobile infrastructure seems to be happening at a fairly faster rate, than the earlier migration from 2G to 3G networks. Ericsson estimates that 65 per cent of the world's population will be covered by LTE by 2019, compared with 10 per cent in 2012. A recent white paper from IDATE, the "LTE 2014 Markets & Trends, Facts & Figures" published the following facts:

- 119 million LTE subscriptions as of mid-2013 in the top 10 markets. Close to 130.5 million LTE subscriptions worldwide
- Total LTE revenue in 2013 estimated at \$87.97 billion
- More than 1,313 million LTE subscriptions worldwide, by the end of 2017
- Close to 450 mobile operators have committed to launching LTE
- Video represents close to 60% of LTE traffic

More than a billion smartphones were shipped in 2013, representing 38 per cent annual growth and overtaking feature phone sales. Tablets are also selling well, with more than 263 million of them expected to be sold in 2014 compared with 179 million just a year ago.

As well, the applications (apps) market reached more than 100 billion downloads in 2013, representing 50 per cent growth over the previous year. Total revenues were estimated at \$ 26 billion in 2013.

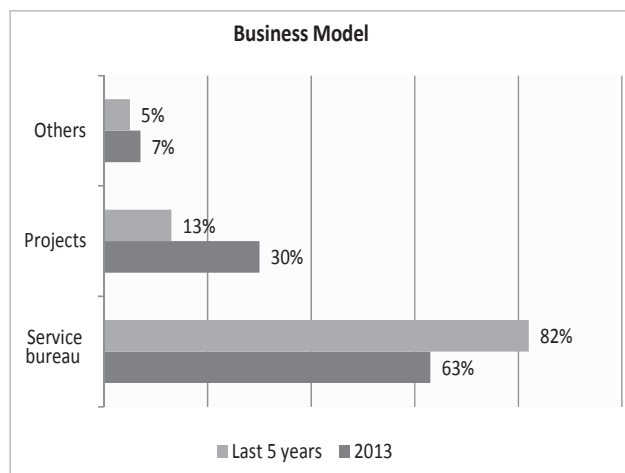
In the area of mobile payments, a recent infographic created by edmblog.com, using data from TNS Global, FICO Market Survey, Forrester Research, and Metaforic, reported that by 2017, an estimated one billion people will use mobile banking. However, it was also reported that there continue to be gaps (read opportunity) between what mobile users want and what their banks offer. Bottom line is that mobile banking does deliver on two very important fronts for the banking customer; improved customer service and decrease in banking fraud.

As well, the Mobile Wallet (and Mobile Payments) market is trending toward increasingly quick and easy mobile transaction processing for both the consumer and the merchants. However, the solution ecosystem extends well beyond those two main stakeholders to encompass regulatory authorities, financial institutions, telecom operators, merchants, users, and technology providers, creating a complex processing and control environment that needs to be well understood by all. The complete mobile wallet is seen as a means of enhancing the mobile payment process by bringing location-based services, capturing consumer preference, enabling digital coupons, and tracking rewards. Some of the envisioned (and available) mobile wallet services include; mobile commerce, mobile ticketing, mobile coupons, mobile transfer, and micro-payments. The global market for mobile wallet technologies was valued at just \$4.1 billion in 2011 and increased to \$8 billion in 2012. This market is expected to reach \$665.1 billion in 2017 after increasing at a five-year compound annual growth rate (CAGR) of 142.1%. They continued to report that Mobile Network Operators will be most benefitting from this growth wave, earning the largest portion of the revenue, while OSS/BSS solution providers, handset and other hardware solution manufacturers, software developers and cloud computing companies, and content and applications aggregators will have their share as well.

All of the above industry trends and statistics continue to encourage the company to follow the product and services direction that it has set regarding its Mobile Infrastructure Solutions and Services as well as Mobile Banking and Payments. This data is further supported by the real-time, on-the-ground sales opportunities that the company is encountering.

Summary

The company's geographically diverse sales focus allow it to focus on those regions where businesses are optimistic, economies are holding their own or growing, and investments in mobile are continuing to be made. While the company continued to see further reduction of opportunity for its service bureau offering in the US prepaid market as well as globally, its core solutions for Mobile Infrastructure Solutions and Services as well as Mobile Banking and Payments, position the company to meet the key areas of growth and investment in the global telecom market as noted above.



The majority of company's revenues going forward are of project related with back-ended cash flows with increased debtor days and collection cycle, as compared to the earlier years wherein majority of revenues were services based receivable monthly. However, with the change in the business model the margins are expected to be higher as compared to the larger services business revenue model during earlier years.

(4) MEGASOFT Products, Solutions and Business Overview

(A) Solutions

The 2013 portfolio of solutions focused on two major areas:

XIUS Mobile Infrastructure Solutions and Services dramatically enhance the way service providers across an array of industries deliver and capitalize upon next generation mobile services.

- XIUS Mobile Services Platform (MSP) offers a complete suite of cost-competitive and reliable infrastructure options that enable real-time rating and billing.
- XIUS is best positioned to enable service providers navigate an increasingly complex mobile ecosystem by allowing to launch branded mobile services.
- XIUS MSP provides end-to-end infrastructure for 3G/4G Mobile Operators, MVNE/MVNOs, Converged Broadband 4G/LTE Service Providers, Mobile Operator Wholesale Departments, and M2M Service Providers.

XIUS Mobile Banking and Payments Solutions enable value-based relationships for financial institutions, government agencies, mobile operators and their customers that directly lead to improved customer loyalty and increased revenues.

- Payment Manager gives operators the power to conveniently recharge mobile prepaid accounts, provide international recharge capabilities, and manage their distribution network.
- Mobile Wallet allows operators, government agencies and other institutions to deliver secure and cost-effective methods of payment, while introducing cost savings and new recurring revenue streams.
- Mobile Banking platform gives financial institutions the power to provide state-of-the-art mobile banking services.

(B) Business Strategy and Priorities for 2014

With the loss of the major prepaid customer by third quarter of 2013, the company saw its US prepaid revenues decline significantly. Continued market consolidation, increased all-you-can-eat plans and decrease of pure prepaid offerings, the return of triple-play offers, the move by large mobile operators to converged billing platforms, as well as expanded demand for data and content, further emphasize the move made by the company in 2013 to replace its prepaid revenue with increased focus on sales of its Mobile Infrastructure Solutions and Services and Mobile Banking and Payments.

For 2014 and beyond, the company will execute on the following approach to growing the business:

(1) Mobile Infrastructure Solutions and Services

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, becoming 4G ready, 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 & Mid size mobile 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) Mobile Banking and Payments

There is significant demand and opportunity for mobile banking and payment solutions in the market today ranging from opportunities created by Electronic Money regulation in Latin America, the expanding demand for mobile services for banking customers, growing trust in Mobile Wallets by consumers and the market, as well as continued additional opportunities for mobile transaction processing. The company's Mobile Banking and Payment solutions are capable to address these needs. We continue our expansion in Latin America with our Payment Management solutions and we see continued growth opportunity in this region. Our sales pipeline in this area is active and we are expanding our reach through both direct and channel sales efforts.

(3) New Products

The company continues in its efforts to leverage its mobile infrastructure and transaction processing pedigree and depth of experience, and has identified several opportunity areas and will deliver new solutions to the market in 2014. The company is especially focusing its R&D efforts on Mobile enablement of key industries like banking and healthcare and also plans to foray into the Big Data & Analytics area in the near future.

(C) Operational priorities

Sales, although not strictly operational, are the lifeblood of the company. Continued focus on maintaining a healthy pipeline and a steady stream of profitable contract closure. The company recognizes that sales closure depends on satisfied and reference-able customers. It adjusts its operations focus and organization to ensure customer account management and advocacy is in place for our customers as they are vital in aiding in the new sales closure process.

R&D continues as the company's key strength and focus. Investment and expansion in the growth solution areas of mobile infrastructure as well as mobile banking and 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 new market offerings.

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

The company continues its tight cost controls, debt reduction and repayment as well as monetization of some of its real estate assets.

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 in data centers and gets paid monthly based on a revenue-share or per-subscriber transaction fee model around a multi-year contract. 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 limited capacity (subscriber, throughput, or other appropriate metric).

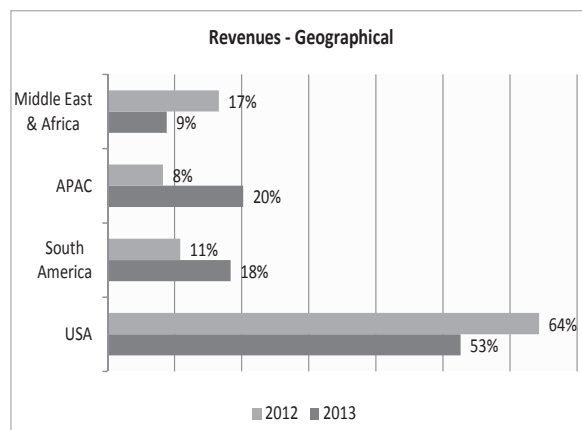
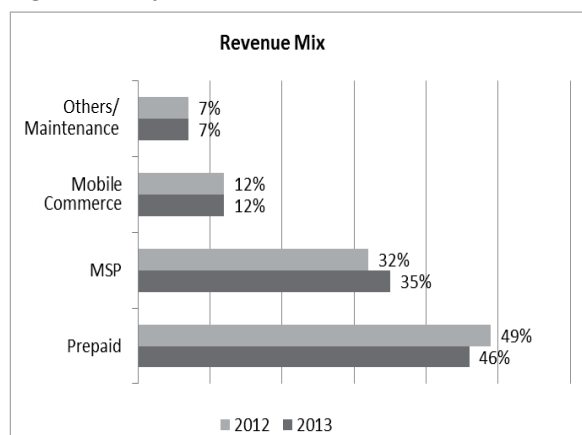
- Share of transaction revenues

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 company's future

- 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) Quality certifications

Our quality management system (QMS) has its foundation on decades of experience and industry best practices that are aligned with international standard quality models and certifications.

ISO 9001:2008 – Quality Management System

QMS enhancing customer satisfaction

The company is certified for ISO 9001:2008 by Bureau Veritas Certification, India. Our products & solutions therefore ensure customer satisfaction.

ISO 27001:2005 – Information Security

Information security management system enhancing confidentiality and integrity The company is also certified for ISO 27001:2005 by Bureau Veritas Certification, India. This assures that we maintain confidentiality, integrity and availability of corporate and client information.

(7) Outlook

While the global economic situation slowly improves, there are growing pockets of optimism where the mobile industry continues to see investment and growth. The company's product portfolio remains relevant and supportive of the market trends. We continue to experience continued interest in our mobile infrastructure capabilities and offerings (especially LTE) as well as our mobile banking and payments solutions. We have been able to leverage our knowledge and experience in mobile infrastructure and mobile transaction processing to provide relevant and timely solutions to the mobile industry. Additionally, we are leveraging our knowledge in the development of new mobile enablement solutions and capabilities, while creating the opportunity for additional Intellectual Property as well.

(8) Risks and concerns

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

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.

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 27 were granted by the USPTO.

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. The company has an insurance policy in place to mitigate these risks.

Foreign currency fluctuation

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\$ 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.

Client Concentration

As already seen in earlier year, 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.

Cash Flow

As the company's business model has gone through a major change and its revenues are project related to a large extent with back-ended cash flows, the company may continue to be under constant cash pressures.

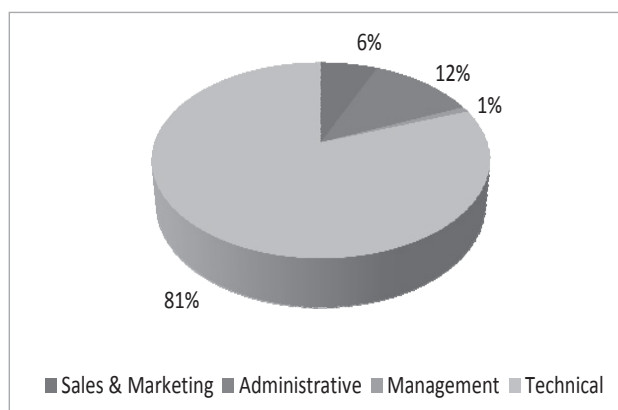
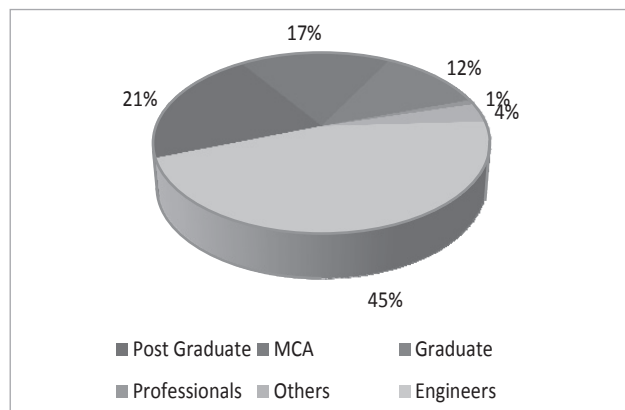
(9) Internal controls

The company possesses 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.

(10) 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.



(11) Financial results 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 is 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 Statement of Profit & Loss.

Borrowings

As at 31 December	Short term debt		Long term debt		Total debt	
	2013	2012	2013	2012	2013	2012
	₹ million	₹ million	₹ million	₹ million	₹ million	₹ million
Finance lease obligations	1	1	1	2	2	3
Secured - Current maturities of long-term debt from Bank	198	164			198	164
Secured - Working Capital / Demand loan from Bank	459	675			459	675
Unsecured - from bodies corporate	261	233			261	233
Total	919	1073	1	2	920	1075

The movement in the finance lease obligations is on account of monthly instalments paid during the year. The company repaid the loan of ₹ 270 million availed during the previous financial year for augmenting additional working capital requirement for a project. Otherwise, the movement in working capital loan is on account of rupee depreciation against US\$.

The movement in unsecured loan is due to rupee depreciation against US\$. In real terms, there is no additional borrowing during the year.

Deferred tax liability / asset

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

Trade Payables & Other current liabilities

The increase from ₹ 498 million in 2012 to ₹ 628 million in 2013 is on account of cash flow constraints and stretched sales realisations during the year. As mentioned above the loan repayments also affected payments to the vendors.

Provisions

As at 31 December	Short term		Long term		Total	
	2013	2012	2013	2012	2013	2012
	₹ million	₹ million	₹ million	₹ million	₹ million	₹ million
Provision for retirement benefits	1	1	12	13	13	14

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

Fixed assets

The fixed asset additions of ₹ 8 million (previous year ₹ 42 million) is 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 ₹ 661 million as against ₹ 648 million in the previous year which is in the normal course of business.

Cash and bank balances

The previous year cash and bank balances of ₹ 195 million was higher on account of some of the sales collections received during last week of December 2012. The current year end balance was ₹ 102 million.

Short term loans and advances

The increase in short term loans and advances from ₹ 546 million in 2012 to ₹ 581 million in 2013 is in the normal course of business.

Results of operations (consolidated)

For the year ended 31 December	2013	2012
	₹ million	₹ million
Revenues	1,055	1,154
EBIDTA	263	217
Finance cost	112	106
Depreciation	119	123
Profit before tax	29	16
Less: Taxes	2	4
Profit after tax	27	12

Revenues

The consolidated revenues declined from ₹ 1,154 million in 2012 to ₹ 1,055 million in 2013. The reduction in revenues was on account of a loss of a major customer during the mid-year.

Other Income / (Expenses)

The foreign exchange gain (net) of ₹ 32 million in 2013 as against ₹ 30 million in the previous financial year was on account of rupee depreciation against US\$.

Materials consumed

The cost of materials consumed of ₹ 86 million in 2013 and ₹ 14 million in 2012 are on account of project supplies at the customer site through execution of the project contracts.

Employee cost

The decline in employee cost from ₹ 505 million in 2012 to ₹ 387 million in 2013 was on account of down-sizing of employee count due to loss of a major client during the mid-year.

Other expenses

The decline in other expenses from ₹ 419 million in 2012 to ₹ 319 million in 2013 was on account of the economic measures initiated / implemented by the company during the year due to loss of a major client during the mid-year.

Finance cost

The increase in finance cost from ₹ 106 million in 2012 to ₹ 112 million in 2013 was on account of additional working capital finance availed for specific project execution.

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 ₹ 119 million as against ₹ 123 million in the previous financial year.

FINANCIAL PERFORMANCE (STANDALONE)

Share capital

There is 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 Statement of Profit & Loss.

Borrowings

	Short term debt		Long term debt		Total debt	
	2013	2012	2013	2012	2013	2012
As at 31 December	₹ million	₹ million	₹ million	₹ million	₹ million	₹ million
Finance lease obligations	1	1	1	2	2	3
Secured - Working Capital / Demand loan from Bank	149	401			149	401
Unsecured - from bodies corporate	16	16			16	16
Total	166	418	1	2	167	420

The movement in the finance lease obligations is on account of monthly instalments paid during the year. The company repaid the loan of ₹ 270 million availed during the previous financial year for augmenting additional working capital requirement for a project. Otherwise, the movement in working capital loan is on account of rupee depreciation against US\$. There is no movement in unsecured loans during the year.

Deferred tax liability/asset

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

Trade Payables & Other current liabilities

The increase of current liabilities from ₹ 51 million in 2012 to ₹ 73 million in 2013 is on account of cash flow constraints and stretched sales realisations during the year.

Provisions

	Short term		Long term		Total	
	2013	2012	2013	2012	2013	2012
As at 31 December	₹ million	₹ million	₹ million	₹ million	₹ million	₹ million
Provision for retirement benefits	1	1	12	13	13	14

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

Fixed assets

The fixed asset additions of ₹ 8 million (previous year ₹ 7 million) was in the normal course of business.

Investments

There is no movement in investments during the year.

Trade Receivables

Trade receivables (net of provisions) were lower at ₹ 418 million as against ₹ 547 million in the previous year on account of better sales realisations.

Cash and bank balances

The increase in the cash and bank balances from ₹ 20 million in 2012 to ₹ 51 million in 2013 was on account of some of the sales collections received during last week of December 2013.

Short term loans and advances

The decrease in short term loans and advances from ₹ 468 million in 2012 to ₹ 385 million in 2013 was on account of repayment of loans (part) by the company's overseas subsidiary during the year.

Result of Operations (Standalone)

For the year ended 31 December	2013	2012
	₹ million	₹ million
Revenues	506	462
EBIDTA	109	54
Finance cost	54	33
Depreciation	28	34
Profit before tax	31	16
Less: Taxes	2	4
Profit after tax	29	12

Revenues

Revenues were ₹ 506 million in 2013 as against ₹ 462 million in 2012.

Other Income / (Expenses)

The foreign exchange gain (net) was ₹ 34 million in 2013 as against ₹ 30 million in 2012 due to rupee depreciation against US\$.

Materials consumed

The cost of materials consumed of ₹ 74 million in 2013 and ₹ 14 million in 2012 are on account of project supplies at the customer site through execution of the project contracts.

Employee cost

The decline in employee cost from ₹ 290 million in 2012 to ₹ 250 million in 2013 was on account of down-sizing of employee count due to loss of a major client in the USA during the mid-year.

Other expenses

The decline in other expenses from ₹ 103 million in 2012 to ₹ 74 million in 2013 was on account of the economic measures initiated / implemented by the company during the year due to loss of a major client in the USA during the mid-year.

Finance cost

The increase in finance cost from ₹ 33 million in 2012 to ₹ 54 million in 2013 was on account of additional working capital finance availed for specific project execution.

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 was ₹ 28 million in 2013 as against ₹ 34 million in 2012.

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 2013, 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 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 [FRN 004006S]

for **TN Rajendran & Co.**
Chartered Accountants [FRN 005080S]

MC Srikanth [M.No.018588]
Partner

TN Rajendran [M.No.028778]
Partner

Place: Hyderabad
Date : 22 February 2014

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 2013 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
22 February 2014

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 2013.

Hyderabad
22 February 2014

GV Kumar
Managing Director

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 2013 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 ₹ 1031 million as at 31 December 2013 and total revenues of ₹ 549 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 2013;
- (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 [FRN 004006S]

for **TN Rajendran & Co.**
Chartered Accountants [FRN 005080S]

MC Srikanth [M.No.018588]
Partner

TN Rajendran [M.No.028778]
Partner

Place: Hyderabad
Date : 22 February 2014

Consolidated Balance Sheet

		As at		
	Note	31 December 2013 ₹ 000s	31 December 2012 ₹ 000s	
Equity and Liabilities				
Shareholders' Funds				
(a)	Share Capital	3	442,673	442,673
(b)	Reserves & Surplus	4	1,663,118	1,695,774
			2,105,791	2,138,447
Non-Current liabilities				
(a)	Long-term borrowings	5	1,062	2,153
(b)	Deferred tax liabilities (Net)	6	3,525	5,429
(c)	Long-term provisions	7	12,316	12,595
			16,903	20,177
Current liabilities				
(a)	Short-term borrowings	8	720,267	908,308
(b)	Trade payables	9	279,265	170,452
(c)	Other current liabilities	10	349,127	327,912
(d)	Short-term provisions	11	41,633	37,251
			1,390,292	1,443,923
Total			3,512,986	3,602,547
Assets				
Non-current assets				
(a)	Fixed Assets	12		
	(i) Tangible assets		938,937	984,157
	(ii) Intangible assets		92,430	91,814
			1,031,367	1,075,971
(b)	Non-current investments	13	121,230	121,230
(c)	Goodwill on consolidation	14	1,015,750	1,015,750
			2,168,347	2,212,951
Current Assets				
(a)	Trade receivables	15	661,251	648,801
(b)	Cash and cash equivalents	16	102,062	195,087
(c)	Short-term loans and advances	17	581,326	545,708
			1,344,639	1,389,596
Total			3,512,986	3,602,547
	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 [FRN 004006S]

for **TN Rajendran & Co.**
Chartered Accountants [FRN 005080S]

For and on behalf of the Board

GV Kumar
Managing Director

MC Srikanth [M.No.018588]
Partner

TN Rajendran [M.No.028778]
Partner

R Janardhana Reddy
Director

Place: Hyderabad
Date : 22 February 2014

GP Srinath
Vice-President (Finance) &
Company Secretary

Consolidated Statement of Profit & Loss

	Note	For the Year Ended	
		31 December 2013 ₹ 000s	31 December 2012 ₹ 000s
Income			
Revenue from operations		1,055,075	1,153,975
Other Income / (Expenses)	18	34,494	30,589
Total Income		1,089,569	1,184,564
Expenses			
Cost of materials consumed		85,723	13,761
Employee benefits expense	19	386,810	504,737
Finance cost	20	111,943	105,778
Depreciation	12	118,704	123,326
Other expenses	21	357,220	420,642
Total Expenses		1,060,400	1,168,244
Profit			
Profit before tax		29,169	16,320
Less: Taxes	22	2,394	4,653
Profit for the period		26,775	11,667
Earnings per share			
(equity shares, par value ₹ 10 each)	23		
Basic (₹)		0.60	0.26
Diluted (₹)		0.57	0.25
Number of shares used in computing			
Basic		44,267,293	44,267,293
Diluted		46,592,293	45,818,293
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 [FRN 004006S]

for **TN Rajendran & Co.**
Chartered Accountants [FRN 005080S]

For and on behalf of the Board

GV Kumar
Managing Director

MC Srikanth [M.No.018588]
Partner

TN Rajendran [M.No.028778]
Partner

R Janardhana Reddy
Director

Place: Hyderabad
Date : 22 February 2014

GP Srinath
Vice-President (Finance) &
Company Secretary

Consolidated Cash Flow Statement

	For the Year Ended	
	31 December 2013 ₹ 000s	31 December 2012 ₹ 000s
Cash flow from Operating activities		
Profit before taxation	29,169	16,320
Adjustments for:		
Depreciation & Amortisation	118,704	123,326
Provision for retirement benefits	(201)	(1,286)
Foreign exchange differences on translation (net)	(59,428)	(15,118)
Bad debts written-off	27,676	59,862
Provision for Doubtful Debts	10,296	(57,868)
Interest received	(2,232)	(870)
Finance cost	111,943	105,778
Operating profit before working capital changes	235,927	230,144
(Increase) / Decrease in Trade Receivables	(50,422)	(138,397)
(Increase) / Decrease in Short Term Loans & Advances	(34,794)	(65,248)
(Decrease) / Increase in Current Liabilities	130,028	(39,125)
Taxes paid during the year	(818)	(2,265)
Net cash provided by operating activities	279,921	(14,891)
Cash flows from investing activities		
Purchase / acquisition of Fixed Assets	(8,350)	(41,884)
Foreign exchange differences on translation of fixed assets	(65,753)	(14,786)
Interest received	2,232	870
Net Cash used for investing activities	(71,871)	(55,800)
Cash flows from financing activities		
Increase / (Decrease) in Short Term Borrowings	(188,041)	287,976
Increase / (Decrease) in Long Term Borrowings	(1,091)	(1,090)
Finance cost	(111,943)	(105,778)
Net cash provided by financing activities	(301,075)	181,108
Net increase in cash & cash equivalents	(93,025)	110,417
Cash & Cash equivalents at the beginning of the year	195,087	84,670
Cash & Cash equivalents at the end of the year	102,062	195,087

As per our Report of even date attached
for **Srikanth & Shanthi Associates**
Chartered Accountants [FRN 004006S]

for **TN Rajendran & Co.**
Chartered Accountants [FRN 005080S]

For and on behalf of the Board

GV Kumar
Managing Director

MC Srikanth [M.No.018588]
Partner

TN Rajendran [M.No.028778]
Partner

R Janardhana Reddy
Director

Place: Hyderabad
Date : 22 February 2014

GP Srinath
Vice-President (Finance) &
Company Secretary

Notes to the consolidated financial statements

[All amounts in the consolidated 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 The Bombay Stock Exchange, The National Stock Exchange and Madras Stock Exchange, in India. The company is a unique trans-national company with customers, employees and operations across multiple continents and combines the best global practices 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 (formerly, Boston Communications Group, Inc.)	USA	100%
Xius Corp (formerly, 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) Intangible Assets and Amortisation

Intangible assets are stated at cost of acquisition or construction less accumulated amortisation and impairment losses if any. Intangible assets are amortised over their estimated useful economic life. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the Statement of Profit and Loss when the asset is derecognised.

(vi) Impairment of assets

The carrying amounts of assets are reviewed at each Balance Sheet date if there is any indication of impairment based on internal / external factors. An impairment loss is recognized wherever the carrying amount of an asset exceeds its estimated recoverable amount. The recoverable amount is the greater of the asset's net selling price and value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset. Previously recognised impairment loss is further provided or reversed depending on changes in circumstances.

(vii) 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.

(viii) 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 as per the provisions of AS-11. 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.

(ix) 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.

(x) 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.

(xi) 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 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.

(xii) Provisions and contingent liabilities

A provision is recognised when the Company has a present obligation as a result of past events, if it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions (excluding retirement benefits) are not discounted to their present value and are determined based on the best estimate required to settle the obligation at the reporting date.

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the company or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognised because it cannot be measured reliably. The Company does not recognize a contingent liability but discloses its existence in the financial statements.

(xiii) Earnings per share

Basic earnings per share are calculated by dividing the net profit or loss for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year. For the purpose of calculating diluted earnings per share, the net profit or loss for the year attributable to equity shareholders and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares.

		As at	
		31 December 2013	31 December 2012
		₹ 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. The distribution will be in proportion to the number of equity shares held by the shareholders.

Equity shareholders 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:

	No of shares	%	No of shares	%
S.Ravindra Babu	2,688,768		1,988,768	
Ravindra Babu S (HUF)	512,126		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 2013 ₹ 000s	31 December 2012 ₹ 000s
Options outstanding at the beginning of the year	2,325,000	2,510,000
Expired / Cancelled during the year	--	185,000
Options outstanding at the end of the year	2,325,000	2,325,000
Exercisable at the end of the year	2,325,000	1,551,000

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

GV Kumar, MD, was granted 1,350,000 stock options on 6 August 2010 at ₹ 25 (then prevailing 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 (then prevailing 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 2013 ₹ 000s	31 December 2012 ₹ 000s
4 Reserves & Surplus		
Securities Premium		
Opening Balance	25,066	25,066
Closing Balance	25,066	25,066
Foreign Currency Translation Reserve		
Opening Balance	(164,825)	(149,707)
Movement during the year	(59,431)	(15,118)
Closing Balance	(224,256)	(164,825)
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	1,296,540	1,284,873
Profit for the period	26,775	11,667
Closing Balance	1,323,315	1,296,540
Total Reserves & Surplus	1,663,118	1,695,774

		As at	
		31 December 2013	31 December 2012
		₹ 000s	₹ 000s
5	Long-term borrowings		
	Secured		
	Long term maturities of finance lease obligations	1,062	2,153
		1,062	2,153

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 2013	31 December 2012
		₹ 000s	₹ 000s
	Not later than one year	1,090	1,090
	Later than one year and not later than five years	1,062	2,153
	Total	2,152	3,243
	Less: Amounts representing interest	(342)	(710)
	Present value of minimum lease payments	1,810	2,533
	Less : Amount due not later than one year	(864)	(344)
	Amounts due later than one year and not later than five years	946	2,189
6	Deferred tax liability (net)		
	Fixed Assets	6,863	9,785
	Retirement benefits	66	(4,356)
	Provision for doubtful debts	(3,404)	—
		3,525	5,429
7	Long-term provisions		
	Provision for retirement benefits (non-funded)	12,316	12,595
		12,316	12,595
8	Short-term borrowings		
	Secured		
	Working Capital / Demand loan from Bank	458,686	674,992
	Unsecured		
	From bodies corporate	261,581	233,316
		720,267	908,308

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 in the previous year, since repaid.

		As at	
		31 December 2013 ₹ 000s	31 December 2012 ₹ 000s
9	Trade payables		
	Sundry Creditors for goods / services	279,265	170,452
		279,265	170,452
10	Other current liabilities		
	Current maturities of long-term debt	198,070	164,332
	Current maturities of finance lease obligations	1,090	1,090
	For accrued salaries and benefits	13,425	15,763
	Provision for expenses	3,987	11,907
	Other payables	9,828	45,089
	Unclaimed Dividends	1,578	1,580
	Interest accrued but not due on borrowings	121,148	88,151
		349,127	327,912
11	Short-term provisions		
	Provision for retirement benefits (non-funded)	661	583
	Provision for taxation (net)	40,972	36,668
		41,633	37,251

12 Fixed Assets

Particulars	Gross Block						Depreciation				Net Block	
	Cost as at 1-Jan-2013	Additions	Deletions / Adjustments	Foreign exchange difference	Cost as at 31-Dec-2013	As at 1-Jan-2013	For the year	On Deletions / Adjustments	Foreign exchange difference	Total as at 31-Dec-2013	As at 31-Dec-2013	As at 31-Dec-2012
	₹ 000s	₹ 000s	₹ 000s	₹ 000s	₹ 000s	₹ 000s	₹ 000s	₹ 000s	₹ 000s	₹ 000s	₹ 000s	₹ 000s
(A) Tangible Assets												
Land & Land development	431,709	—	—	—	431,709	—	—	—	—	—	431,709	431,709
Plant & Machinery	17,922	1,087	—	1	19,010	5,736	1,116	—	1	6,853	12,157	12,186
Computer systems & Software	1,401,888	7,263	(2,220)	129,972	1,536,903	879,922	104,933	—	73,318	1,058,173	478,730	521,966
Furniture & Fittings	42,338	—	—	1,822	44,160	27,784	1,572	—	1,822	31,178	12,982	14,554
Vehicles	21,061	—	(1,489)	—	19,572	17,319	383	(1,489)	—	16,213	3,359	3,742
	1,914,918	8,350	(3,709)	131,795	2,051,354	930,761	108,004	(1,489)	75,141	1,112,417	938,937	984,157
(B) Intangible Assets												
Intellectual Property Rights	6,800	—	—	—	6,800	6,800	—	—	—	6,800	—	—
Patents	100,429	—	—	13,018	113,447	8,615	10,700	—	1,702	21,017	92,430	91,814
	107,229	—	—	13,018	120,247	15,415	10,700	—	1,702	27,817	92,430	91,814
Total	2,022,147	8,350	(3,709)	144,813	2,171,601	946,176	118,704	(1,489)	76,843	1,140,234	1,031,367	1,075,971
Previous year	1,958,643	41,884	(1,782)	29,832	2,028,577	816,015	123,326	(1,782)	15,047	952,606	1,075,971	

		As at	
		31 December 2013	31 December 2012
		₹ 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 (formerly, Boston Communications Group, Inc.)		
	Accumulated losses on the date of becoming subsidiary i.e. 30 August 2007	1,015,750	1,015,750
		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	288,715	312,155
	considered doubtful	186,776	176,480
	Others - unsecured, considered good	372,536	336,646
	Less: Provision for doubtful debts	848,027	825,281
		(186,776)	(176,480)
		661,251	648,801
16	Cash & Bank balances		
	Cash on hand	41	17
	Balances with Banks		
	In Current Accounts	92,852	178,049
	Other Bank balances		
	Unpaid dividend accounts	1,578	1,580
	Other Bank Deposits *	7,591	15,441
		102,062	195,087
	* held as margin money deposits with more than 3 months maturity, etc.		
17	Short-term loans and advances		
	Unsecured, considered good		
	Loans and advances to employees	2,304	4,295
	Other loans and advances	526,723	491,639
	Security Deposits	19,695	17,994
	Advance Income-tax	32,604	31,780
		581,326	545,708

		For the Year Ended	
		31 December 2013	31 December 2012
		₹ 000s	₹ 000s
18	Other Income/ (Expenses)		
	Miscellaneous Income	24	—
	Interest received	2,232	870
	Gains / (losses) on foreign currency, net	32,238	29,719
		34,494	30,589
19	Employee benefits expenses		
	Salaries & Bonus including overseas staff expenses	214,141	373,666
	Contribution to Provident & Other Funds	7,713	11,200
	Social security and other benefit plans for overseas employees	3,614	13,691
	Employees Welfare expenses	3,967	4,613
		229,435	403,170
	Software Development expenses	157,375	101,567
		386,810	504,737
20	Finance cost		
	Interest expense	93,047	95,298
	Bank charges	18,896	10,480
		111,943	105,778
21	Other expenses		
	Rent	31,555	34,222
	Rates & Taxes	3,821	7,510
	Communication expenses	109,158	164,800
	Travel & Conveyance	36,280	62,531
	Insurance	12,986	25,891
	Power & Fuel	23,076	22,906
	Repairs & Maintenance		
	Machinery	34,334	45,776
	Others	2,141	7,884
	Printing & Stationery	1,525	4,802
	Business Development expenses	5,749	9,556
	Legal & Professional expenses	23,256	12,524
	Auditors' remuneration	2,793	2,308
	Rebates & Discounts	27,711	13,362
	Miscellaneous expenses	4,863	4,576
	Bad debts written-off	27,676	59,862
	Provision for doubtful debts	10,296	(57,868)
		357,220	420,642
22	Taxes		
	Current tax	4,298	2,399
	Deferred tax expense / (benefit)	(1,904)	2,254
		2,394	4,653

		For the Year Ended	
		31 December 2013	31 December 2012
		₹ 000s	₹ 000s
23	Earnings per share		
	Basic		
	Profit after tax	26,775	11,667
	Weighted average number of equity shares outstanding	44,267,293	44,267,293
	Earnings per share - Basic (₹)	0.60	0.26
	Diluted		
	Profit after tax	26,775	11,667
	Weighted average number of equity shares outstanding	44,267,293	44,267,293
	Dilutive effect of stock options outstanding	2,325,000	1,551,000
	Weighted average number of equity shares outstanding	46,592,293	45,818,293
	Earnings per share - Diluted (₹)	0.57	0.25

		As at	
		31 December 2013	31 December 2012
		₹ 000s	₹ 000s
24	Commitments & Contingencies		
(i)	Contingent liabilities including bank guarantees, letter of credits, etc.	47,488	44,508
(ii)	The demand of ₹ 231.37 million for the assessment year 2007-08 raised by the Income Tax Authorities in respect of claim under section 10A of the Income Tax Act, 1961, has been disputed by the company and the company has preferred an Income Tax Appeal. Based on the advice of the external legal counsel and the Appeal filed, no provision is considered necessary in the financial statements.		
(iii)	The US authorities have held in favour of a client in respect of certain claims made by a client and the arbitration award is to the tune of US\$ 1.15 million. A US client has moved for arbitration against the company in respect of certain claims even though the said client had failed in his attempt earlier in the US Courts. Since the company has been advised that in view of the negotiations that are under way with the above clients in the said matter and the outcome is expected to be favourable to the company, no provision is considered necessary.		

25 Related party transactions

Associates

Entities controlled by Director/s

NMR Property Development Private Limited, Sri City Private Limited, Suprani Farms Private Limited, Sricity Holdings India Private Limited, Sricity Utility Services Private Limited, Sumedha Estates Private Limited, Haripuram Developers Private Limited, Lamda Developers Private Limited, Iota Developers Private Limited, Kappa Developers Private Limited, Gamma Developers Private Limited.

Directors & Key Management Personnel

GV Kumar & D Sudhakar Reddy

		For the Year Ended	
		31 December 2013	31 December 2012
		₹ 000s	₹ 000s
Associate companies			
	Reimbursement of common expenses received	1,870	2,306
	Due to / (from)	(291)	(62)
Directors & Key Management Personnel			
	Remuneration to Executive Directors	5,207	5,207
	Directors' sitting fees	375	420

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 2013 ₹ 000s	31 December 2012 ₹ 000s
Business Segment (Primary)		
Revenues - Telecom	1,055,075	1,153,975
Segment profit	263,294	216,829
Less: Finance cost	111,943	105,778
Less: Depreciation	118,704	123,326
Other Income / (Expenses)	(3,478)	28,595
Profit before taxes	29,169	16,320
Less: Taxes	2,394	4,653
Profit after taxes	26,775	11,667
Geographical Segment (Secondary)		
Revenues		
USA	555,146	742,270
South America	193,548	124,917
Middle East & Africa	92,971	191,341
APAC	213,410	95,447
	1,055,075	1,153,975
Carrying amount of segment assets		
USA	1,305,152	1,230,363
South America	178,938	96,589
Middle East & Africa	118,902	55,785
APAC	740,412	1,147,638
	2,343,404	2,530,375
Addition to Fixed Assets		
APAC	8,350	7,462
USA	—	34,422
	8,350	41,884

27 Corporate Guarantees

The company has given a corporate guarantee for foreign currency loan of US\$ 8.20 million (Previous year - US\$ 8.00 million) from Axis Bank, Hong Kong to XIUS Holding Corp. (formerly, 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.

Independent Auditors' Report to the Members of Megasoft Limited

Report on Financial Statements

We have audited the accompanying financial statements of **Megasoft Limited** which comprise the Balance Sheet as at 31st December 2013, the Statement of Profit and Loss and Cash Flow Statement for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India including Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) In the case of the Balance Sheet, "of the state of affairs" of the Company as at 31st December 2013;
- (b) In the case of the Statement of Profit and Loss, of the "profit" for the year ended on that date ; and
- (c) In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

- (1) As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
- (2) As required by Section 227(3) of the Act, we report that:
 - We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit ;
 - 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;
 - The Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - In our opinion, the Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section [3-C] of section 211 of the Companies Act, 1956 ;
 - On the basis of written representations received from the directors, as on 31st December 2013 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st December 2013 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

for **Srikanth & Shanthi Associates**
Chartered Accountants [FRN 004006S]

for **TN Rajendran & Co.**
Chartered Accountants [FRN 005080S]

MC Srikanth [M.No.018588]
Partner

TN Rajendran [M.No.028778]
Partner

Place: Hyderabad
Date : 22 February 2014

Annexure to the Independent Auditors' Report to the Members of Megasoft Limited

[Referred to in paragraph 1 under the heading of "Report on other legal and regulatory requirements" of our report of even date]

- (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) Fixed assets disposed-off during the year were not substantial, and therefore, do not affect the going concern assumption.
- (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 ₹ 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, service tax, professional tax and tax deducted at source, instances of delayed remittances were noticed during the year.* However, there were no dues on any of these accounts as of 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 31st December 2013 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 statutory dues that have not been deposited with the appropriate authorities on account of any dispute except the following:
- | Nature of statute | Nature of demand | Assessment Year | Amount | Forum before which the appeal is pending |
|----------------------|-----------------------|-----------------|------------------|--|
| Income Tax Act, 1961 | Income tax & interest | 2007-2008 | ₹ 231.37 million | CIT (Appeals) IV, Chennai |
- (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. The Company has not incurred cash loss in the preceding financial year also.
- (xi) In our opinion and according to the information and explanations given to us, *the Company has delayed repayment of monthly instalment amounts aggregating to ₹ 220 million to a bank for a couple of months.* However, there were no dues to the bank as of the Balance Sheet date.
- (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 availed by wholly-owned subsidiary 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 [FRN 004006S]

for **TN Rajendran & Co.**
Chartered Accountants [FRN 005080S]

MC Srikanth [M.No.018588]
Partner

TN Rajendran [M.No.028778]
Partner

Place: Hyderabad
Date : 22 February 2014

Balance Sheet

		As at	
		31 December 2013	31 December 2012
		₹ 000s	₹ 000s
Equity and Liabilities			
Shareholders' Funds			
(a)	Share Capital	3	442,673
(b)	Reserves & Surplus	4	1,293,892
		1,736,565	1,707,533
Non-Current liabilities			
(a)	Long-term borrowings	5	1,062
(b)	Deferred tax liabilities (Net)	6	3,512
(c)	Long-term provisions	7	12,316
		16,890	20,163
Current liabilities			
(a)	Short-term borrowings	8	165,051
(b)	Trade payables	9	41,563
(c)	Other current liabilities	10	31,455
(d)	Short-term provisions	11	41,329
		279,398	505,147
Total		2,032,853	2,232,843
Assets			
Non-current assets			
(a)	Fixed Assets	12	
	(i) Tangible assets		493,263
	(ii) Intangible assets		—
		493,263	512,605
(b)	Non-current investments	13	685,569
		1,178,832	1,198,174
Current Assets			
(a)	Trade receivables	14	417,873
(b)	Cash and cash equivalents	15	51,537
(c)	Short-term loans and advances	16	384,611
		854,021	1,034,669
Total		2,032,853	2,232,843
	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 [FRN 004006S]

for **TN Rajendran & Co.**
Chartered Accountants [FRN 005080S]

For and on behalf of the Board

GV Kumar
Managing Director

MC Srikanth [M.No.018588]
Partner

TN Rajendran [M.No.028778]
Partner

R Janardhana Reddy
Director

Place: Hyderabad
Date : 22 February 2014

GP Srinath
Vice-President (Finance) &
Company Secretary

Statement of Profit & Loss

	Note	For the Year Ended	
		31 December 2013 ₹ 000s	31 December 2012 ₹ 000s
Income			
Revenue from operations		506,182	461,627
Other Income / (Expenses)	17	36,118	31,022
Total Income		542,300	492,649
Expenses			
Cost of materials consumed		73,642	13,761
Employee benefits expense	18	249,858	290,157
Finance cost	19	54,161	33,514
Depreciation	12	27,692	33,994
Other expenses	20	105,817	105,132
Total Expenses		511,170	476,558
Profit			
Profit before tax		31,130	16,091
Less: Taxes	21	2,098	4,249
Profit for the period		29,032	11,842
Earnings per share			
(equity shares, par value ₹ 10 each)	22		
Basic (₹)		0.66	0.27
Diluted (₹)		0.62	0.26
Number of shares used in computing			
Basic		44,267,293	44,267,293
Diluted		46,592,293	45,818,293
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 & Shanthy Associates**
Chartered Accountants [FRN 004006S]

for **TN Rajendran & Co.**
Chartered Accountants [FRN 005080S]

For and on behalf of the Board

GV Kumar
Managing Director

MC Srikanth [M.No.018588]
Partner

TN Rajendran [M.No.028778]
Partner

R Janardhana Reddy
Director

Place: Hyderabad
Date : 22 February 2014

GP Srinath
Vice-President (Finance) &
Company Secretary

Cash Flow Statement

	For the Year Ended	
	31 December 2013 ₹ 000s	31 December 2012 ₹ 000s
Cash flows from operating activities		
Profit before taxation	31,130	16,091
Adjustments for:		
Depreciation & Amortisation	27,692	33,994
Bad debts written-off	21,732	59,862
Provision for Doubtful Debts	10,296	(57,868)
Provision for retirement benefits	(201)	(1,286)
Interest received	(2,232)	(869)
Finance cost	54,161	33,514
Operating profit before working capital changes	142,578	83,438
(Increase) / Decrease in Trade Receivables	96,868	(100,258)
(Increase) / Decrease in Short Term Loans & Advances	83,984	343,870
(Decrease) / Increase in Current Liabilities	22,077	5,767
Taxes paid during the year	(825)	(1,491)
Net cash provided by operating activities	344,682	331,326
Cash flows from investing activities		
Purchase / acquisition of Fixed Assets	(8,350)	(7,462)
Investment / (divestment) in subsidiary / other companies *	--	(555,345)
Interest received	2,232	869
Net Cash used for investing activities	(6,118)	(561,938)
Cash flows from financing activities		
Increase / (Decrease) in Short Term Borrowings	(251,904)	274,419
Increase / (Decrease) in Long Term Borrowings	(1,091)	(1,090)
Finance cost	(54,161)	(33,514)
Net cash provided by financing activities	(307,156)	239,815
Net increase in cash & cash equivalents	31,408	9,203
Cash & Cash equivalents at the beginning of the year	20,129	10,926
Cash & Cash equivalents at the end of the year	51,537	20,129

As per our Report of even date attached
for **Srikanth & Shanthi Associates**
Chartered Accountants [FRN 004006S]

for **TN Rajendran & Co.**
Chartered Accountants [FRN 005080S]

For and on behalf of the Board

GV Kumar
Managing Director

MC Srikanth [M.No.018588]
Partner

TN Rajendran [M.No.028778]
Partner

R Janardhana Reddy
Director

Place: Hyderabad
Date : 22 February 2014

GP Srinath
Vice-President (Finance) &
Company Secretary

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 The Bombay Stock Exchange, The National Stock Exchange and Madras Stock Exchange, in India. The company is a unique trans-national company with customers, employees and operations across multiple continents and combines the best global practices 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 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) Intangible Assets and Amortisation

Intangible assets are stated at cost of acquisition or construction less accumulated amortisation and impairment losses if any. Intangible assets are amortised over their estimated useful economic life. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the Statement of Profit and Loss when the asset is derecognised.

(vi) Impairment of assets

The carrying amounts of assets are reviewed at each Balance Sheet date if there is any indication of impairment based on internal / external factors. An impairment loss is recognized wherever the carrying amount of an asset exceeds its estimated recoverable amount. The recoverable amount is the greater of the asset's net selling price and value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset. Previously recognised impairment loss is further provided or reversed depending on changes in circumstances.

(vii) 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.

(viii) 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 as per the provisions of AS-11. 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.

(ix) 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).

(x) 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.

(xi) 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.

(xii) Provisions and contingent liabilities

A provision is recognised when the Company has a present obligation as a result of past events, if it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions (excluding retirement benefits) are not discounted to their present value and are determined based on the best estimate required to settle the obligation at the reporting date.

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the company or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognised because it cannot be measured reliably. The Company does not recognize a contingent liability but discloses its existence in the financial statements.

(xiii) Earnings per share

Basic earnings per share are calculated by dividing the net profit or loss for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year. For the purpose of calculating diluted earnings per share, the net profit or loss for the year attributable to equity shareholders and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares.

		As at	
		31 December 2013	31 December 2012
		₹ 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. The distribution will be in proportion to the number of equity shares held by the shareholders.

Equity shareholders 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:

	No of shares	%	No of shares	%
S.Ravindra Babu	2,688,768		1,988,768	
Ravindra Babu S (HUF)	512,126		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 2013 Nos	31 December 2012 Nos
Options outstanding at the beginning of the year	2,325,000	2,510,000
Expired / Cancelled during the year	—	185,000
Options outstanding at the end of the year	2,325,000	2,325,000
Exercisable at the end of the year	2,325,000	1,551,000

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

GV Kumar, MD, was granted 1,350,000 stock options on 6 August 2010 at ₹ 25 (then prevailing 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 (then prevailing 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 2013 ₹ 000s	31 December 2012 ₹ 000s
4 Reserves & Surplus		
Securities Premium		
Opening Balance	25,066	25,066
Closing Balance	25,066	25,066
General Reserve		
Opening Balance	536,855	536,855
Less: Loss on sale / disposal of property	—	—
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	700,801	688,959
Profit for the period	29,032	11,842
Closing Balance	729,833	700,801
Total Reserves & Surplus	1,293,892	1,264,860
5 Long-term borrowings		
Secured		
Long term maturities of finance lease obligations	1,062	2,153
	1,062	2,153

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 2013 ₹ 000s	31 December 2012 ₹ 000s
Not later than one year	1,090	1,090
Later than one year and not later than five years	1,062	2,153
Total	2,152	3,243
Less: Amounts representing interest	(342)	(710)
Present value of minimum lease payments	1,810	2,533
Less : Amount due not later than one year	(864)	(344)
Amounts due later than one year and not later than five years	946	2,189
6 Deferred tax liability (net)		
Fixed Assets	6,850	9,771
Retirement benefits	66	(4,356)
Provision for doubtful debts	(3,404)	—
	3,512	5,415
7 Long-term provisions		
Provision for retirement benefits (non-funded)	12,316	12,595
	12,316	12,595
8 Short-term borrowings		
Secured		
Working Capital / Demand loan from Bank	149,201	401,105
Unsecured		
From bodies corporate	15,850	15,850
	165,051	416,955
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 in the previous year, since repaid.		
9 Trade payables		
Sundry Creditors		
for goods / services	41,563	9,547
	41,563	9,547
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.		
10 Other current liabilities		
Current maturities of finance lease obligations	1,090	1,090
For accrued salaries and benefits	13,425	13,847
Provision for expenses	3,542	3,472
Other payables	7,835	17,177
Unclaimed Dividends	1,578	1,580
Interest accrued but not due on borrowings	3,985	4,228
	31,455	41,394
11 Short-term provisions		
Provision for retirement benefits (non-funded)	661	583
Provision for taxation (net)	40,668	36,668
	41,329	37,251

Defined benefit plans / long term compensated absences

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

	Gratuity (Non-funded)		Leave encashment (Non-funded)	
	As at		As at	
	31-Dec-2013 %	31-Dec-2012 %	31-Dec-2013 %	31-Dec-2012 %
(i) Assumptions				
Discount Rate	9.50%	8.25%	9.50%	8.25%
Rate of Return on Plan Assets	9.50%	8.25%	9.50%	8.25%
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	9,440	10,318	3,738	4,146
Interest Cost	779	903	308	363
Current Service Cost	1,893	2,699	1,454	1,112
Benefit Paid	(2,502)	(2,737)	(1,588)	(1,611)
Actuarial (gain) / loss on obligations	63	(1,743)	(608)	(272)
Liability at the end of the year	9,673	9,440	3,304	3,738
(iii) Tables of fair value of Plan Assets				
Contributions	2,502	2,737	1,588	1,611
Benefit Paid	(2,502)	(2,737)	(1,588)	(1,611)
Total actuarial gain / (loss) to be recognised	(63)	1,743	608	272
(iv) Actual Return on Plan Assets				
(v) Amount recognised in the Balance Sheet				
Liability at the end of the year	9,673	9,440	3,304	3,738
Difference	9,673	9,440	3,304	3,738
Amount recognised in the Balance Sheet	9,673	9,440	3,304	3,738
(vi) Expenses recognised in the Income Statement				
Current Service Cost	1,893	2,699	1,454	1,112
Interest Cost	779	903	308	363
Net actuarial (gain) / loss to be recognised	63	(1,743)	(608)	(272)
Expense Recognised in Profit & Loss A/c	2,735	1,859	1,154	1,203
(vii) Amount Recognised in the Balance Sheet				
Opening net liability	9,440	10,318	3,738	4,146
Expense as above	2,735	1,859	1,154	1,203
Employers Contribution paid	(2,502)	(2,737)	(1,588)	(1,611)
Closing net Liability	9,673	9,440	3,304	3,738

12 Fixed Assets

Particulars	Gross Block			Depreciation			Net Block			
	Cost as at 1-Jan-2013 ₹ 000s	Additions ₹ 000s	Deletions / Adjustments ₹ 000s	Cost as at 31-Dec-2013 ₹ 000s	As at 1-Jan-2013 ₹ 000s	For the year ₹ 000s	On Deletions / Adjustments ₹ 000s	Total as at 31-Dec-2013 ₹ 000s	As at 31-Dec-2013 ₹ 000s	As at 31-Dec-2012 ₹ 000s
(A) Tangible Assets										
Land & Land development	431,709	—	—	431,709	—	—	—	—	431,709	431,709
Plant & Machinery	17,902	1,087	—	18,989	5,716	1,116	—	6,832	12,157	12,186
Computer systems & Software	401,653	7,263	—	408,916	351,239	24,621	—	375,859	33,056	50,414
Furniture & Fittings	28,319	—	—	28,319	13,765	1,572	—	15,337	12,982	14,554
Vehicles	21,061	—	(1,489)	19,572	17,319	383	(1,489)	16,213	3,359	3,742
	900,644	8,350	(1,489)	907,505	388,039	27,692	(1,489)	414,241	493,263	512,605
(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	907,712	8,350	(1,489)	914,573	395,107	27,692	(1,489)	421,309	493,263	512,605
Previous year	902,032	7,462	(1,782)	907,712	362,895	33,994	(1,782)	395,107	(512,605)	

		As at	
		31 December 2013	31 December 2012
		₹ 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 (formerly, Boston Communications Group, Inc.)	555,345	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	685,569
14	Trade receivables		
	Over six months from the date they were due for payment		
	considered good	280,165	305,642
	considered doubtful	186,776	176,480
	Others - unsecured, considered good	137,708	241,127
		604,649	723,249
	Less: Provision for doubtful debts	(186,776)	(176,480)
		417,873	546,769
15	Cash & Bank balances		
	Cash on hand	41	17
	Balances with Banks		
	In Current Accounts	42,327	3,091
	Other Bank balances		
	Unpaid dividend accounts	1,578	1,580
	Other Bank Deposits *	7,591	15,441
		51,537	20,129
	* held as margin money deposits with more than 3 months maturity, etc.		
16	Short-term loans and advances		
	Unsecured, considered good		
	Loans and advances to employees	785	3,356
	Loans and advances to subsidiary companies	265,080	364,440
	Other loans and advances	67,462	54,051
	Security Deposits	18,680	14,144
	Advance Income-tax	32,604	31,780
		384,611	467,771

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 2013 ₹ 000s	31 December 2012 ₹ 000s
17 Other Income / (Expenses)		
Miscellaneous Income	24	—
Interest received	2,232	869
Gains / (losses) on foreign currency, net	33,862	30,153
	36,118	31,022
18 Employee benefits expenses		
Salaries & Bonus including overseas staff expenses	145,558	203,262
Contribution to Provident & Other Funds	7,713	11,200
Employees Welfare expenses	3,967	4,496
	157,238	218,958
Software Development expenses	92,620	71,199
	249,858	290,157

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 2013 ₹ 000s	31 December 2012 ₹ 000s
Profit after tax	29,032	11,842
Add:		
Managerial Remuneration	5,582	5,627
Depreciation / impairment as per books	27,692	33,994
Provision for doubtful debts	10,296	—
Provision for taxation	2,098	4,249
	45,668	43,870
Less:		
Depreciation as per Section 350 of the Act	27,692	33,994
Profit on which commission is payable	47,079	21,718
Commission to Non-Executive Directors		
Maximum allowed as per the Companies Act, 1956	470	217

* 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 2013 ₹ 000s	31 December 2012 ₹ 000s
19 Finance cost		
Interest expense	53,752	26,694
Bank charges	409	6,820
	54,161	33,514

		For the Year Ended	
		31 December 2013	31 December 2012
		₹ 000s	₹ 000s
20	Other Expenses		
	Rent	13,695	18,416
	Rates & Taxes	682	305
	Communication expenses	4,788	7,094
	Travel & Conveyance	22,903	42,122
	Insurance	7,010	6,741
	Power & Fuel	6,612	8,309
	Repairs & Maintenance		
	Machinery	8,019	7,317
	Others	2,141	4,043
	Printing & Stationery	618	890
	Business Development expenses	574	971
	Legal & Professional expenses	1,413	975
	Auditors' remuneration	1,872	1,428
	Miscellaneous expenses	3,462	4,527
	Bad debts written-off	21,732	59,862
	Provision for doubtful debts	10,296	(57,868)
		105,817	105,132
21	Taxes		
	Current tax		
	Deferred tax expense / (benefit)	4,000	2,000
		(1,902)	2,249
		2,098	4,249

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 continually 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 2013	31 December 2012
		₹ 000s	₹ 000s
22	Earnings per share		
	Basic		
	Profit after tax	29,032	11,842
	Weighted average number of equity shares outstanding	44,267,293	44,267,293
	Earnings per share (₹)	0.66	0.27
	Diluted		
	Profit after tax	29,032	11,842
	Weighted average number of equity shares outstanding	44,267,293	44,267,293
	Dilutive effect of stock options outstanding	2,325,000	1,551,000
	Weighted average number of equity shares outstanding	46,592,293	45,818,293
	Earnings per share (₹)	0.62	0.26

		As at	
		31 December 2013	31 December 2012
		₹ 000s	₹ 000s
23	Commitments & Contingencies		
(i)	Contingent liabilities including bank guarantees, letter of credits, etc.	47,488	44,508
(ii)	The demand of ₹ 231.37 million for the assessment year 2007-08 raised by the Income Tax Authorities in respect of claim under section 10A of the Income Tax Act, 1961, has been disputed by the company and the company has preferred an Income Tax Appeal. Based on the advice of the external legal counsel and the Appeal filed, no provision is considered necessary in the financial statements.		
(iii)	A US client has moved for arbitration against the company in respect of certain claims even though the said client had failed in his attempt earlier in the US Courts. Since the company has been advised that in view of the negotiations that are under way with the said client in the said matter and the outcome is expected to be favourable to the company, no provision is considered necessary.		
24	Related party transactions		
	Wholly owned Subsidiary companies		
	Megasoft Consultants Sdn Bhd, Malaysia, Megasoft Consultants Pte Ltd, Singapore, XIUS Holding Corp (formerly, Boston Communications Group, Inc.), USA, XIUS Corp (formerly, Cellular Express, Inc.), USA, BCGI Wireless Private Limited.		
	Associates - Entities controlled by Director/s		
	NMR Property Development Private Limited, Sri City Private Limited, Suprani Farms Private Limited, Sricity Holdings India Private Limited, Sricity Utility Services Private Limited, Sumedha Estates Private Limited, Haripuram Developers Private Limited, Lamda Developers Private Limited, Iota Developers Private Limited, Kappa Developers Private Limited, Gamma Developers Private Limited.		
	Directors & Key Management Personnel		
	GV Kumar & D Sudhakar Reddy		

		For the Year Ended	
		31 December 2013	31 December 2012
		₹ 000s	₹ 000s
	Wholly owned Subsidiary companies		
	Sale of services		
	Megasoft Consultants Sdn Bhd	59,818	47,114
	XIUS Corp (formerly, Cellular Express, Inc.), USA	188,519	157,579
	Software development expenses		
	XIUS Corp (formerly, Cellular Express, Inc.), USA	89,579	70,375
	Trade Receivables		
	Megasoft Consultants Sdn Bhd	2,453	13,453
	XIUS Corp (formerly, Cellular Express, Inc.), USA	—	22,208
	Short-term loans and advances		
	XIUS Holding Corp (formerly, Boston Communications Group, Inc.), USA	265,080	364,440
	Corporate Guarantees for foreign currency loan from bank		
	XIUS Holding Corp (formerly, Boston Communications Group, Inc.), USA	507,555	438,218
	Associates		
	Reimbursement of common expenses received	1,870	2,306
	Due to / (from)	(291)	(62)
	Directors & Key Management Personnel		
	Remuneration to Executive Directors	5,207	5,207
	Directors' sitting fees	375	420
	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 (formerly, Boston Communications Group, Inc.), USA	273,282	372,642
	Maximum amount outstanding during the year		
	XIUS Holding Corp (formerly, Boston Communications Group, Inc.), USA	372,642	727,980
	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 2013	31 December 2012
		₹ 000s	₹ 000s
25	Payments to Auditors		
	Audit fees (including service tax)	1,573	1,348
	Out of pocket expenses	149	80
	Tax matters (including service tax)	150	—
		1,872	1,428
26	CIF value of imports		
	Capital goods	—	—
	Others	59,246	13,761
		59,246	13,761
27	Expenditure in foreign currency		
	Travel expenses	8,513	17,205
	Software Development expenses	89,579	70,375
	Others	59,246	13,761
		157,338	101,341
28	Earnings in foreign currency		
	Software development services	506,182	461,627

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 foreign currency loan of US\$ 8.20 million (Previous year - US\$ 8.00 million) from Axis Bank, Hong Kong to XIUS Holding Corp. (formerly, Boston Communications Group, Inc.), USA

32 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.

33 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.

34 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.

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-2013	500,000 of MR 1 each	100%	-	1,176	-	1,803
2	Megasoft Consultants Pte Ltd	Singapore	S\$	31-Dec-2013	100,000 of S\$ 1 each	100%	-	(2,766)	-	(903)
3	XIUS Holding Corp (formerly, Boston Communications Group, Inc.)	USA	US\$	31-Dec-2013	1,000 of US\$ 0.001 each	100%	-	(51,830)	-	(1,757,491)
4	Xius Corp (formerly, Cellular Express, Inc.)	USA	US\$	31-Dec-2013	100 of US\$ 0.01 each	100%	-	51,022	-	1,055,894
5	BCGI Wireless Private Limited	India	₹	31-Dec-2013	280,000 @ ₹10 each	100%	-	-	-	29,450

For and on behalf of the Board of Directors

Hyderabad
22 February 2014

GV Kumar
Managing Director

R Janardhana Reddy
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	18.8700	9,435	2,978	52,277	39,864	-	141,277	1,476	303	1,176	-
2	Megasoft Consultants Pte Ltd	Singapore	S\$	49.0022	4,900	(3,670)	1,319	89	-	-	(2,766)	-	(2,766)	-
3	XIUS Holding Corp (formerly, Boston Communications Group, Inc.)	USA	US\$	61.8970	782,752	(1,809,321)	0	1,026,569	-	-	(51,830)	-	(51,830)	-
4	Xius Corp (formerly, Cellular Express, Inc.)	USA	US\$	61.8970	0	1,106,916	1,187,524	80,607	-	836,701	51,022	-	51,022	-
5	BCGI Wireless Private Limited	India	₹	1	2,800	29,450	35,643	3,393	-	-	-	-	-	-

For and on behalf of the Board of Directors

Hyderabad
22 February 2014

GV Kumar
Managing Director

R Janardhana Reddy
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 22 February 2014, 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 **14th Annual General Meeting of the Members of Megasoft Limited** will be held at 10.00 AM (IST) on Wednesday, the 25th day of June 2014 at Narada Gana Sabha (Mini Hall), 314, TTK Road, Alwarpet, Chennai 600018, to transact the following business:

Ordinary business

- (1) To receive, consider and adopt the audited Balance Sheet as at 31 December 2013 and the statement of Profit and Loss 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 R Janardhana Reddy, who retires by rotation at this Annual General Meeting and being eligible, offers himself for re-appointment.
- (3) To appoint a Director in place of Mr GV Kumar, who retires by rotation at this Annual General Meeting and being eligible, offers himself for re-appointment.
- (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 & Shanthy Associates, Chartered Accountants [ICAI Firm Registration No.004006S], Chennai, and M/s TN Rajendran & Co., Chartered Accountants [ICAI Firm Registration No.005080S], 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.*

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

GP Srinath
Company Secretary

Hyderabad
22 February 2014

NOTES

- (1) The relative Explanatory Statement pursuant to Section 102 of the Companies Act, 2013 (corresponding to Section 173 of the Companies Act, 1956), in respect of the business under Item No.5 as set out above are annexed hereto.
- (2) Disclosures pursuant to Clause 49 of the Listing Agreement with respect to the Directors seeking re-appointment at the forthcoming Annual General Meeting are annexed hereto.
- (3) 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.
- (4) 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.
- (5) 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.
- (6) 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 on their behalf at the AGM.
- (7) The Register of Members and Share Transfer Books will remain closed from 18 June 2014 to 25 June 2014 (both days inclusive) in connection with the AGM.
- (8) 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.
- (9) 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.
- (10) 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 (Monday to Friday) from 2.00 p.m. to 4.00 p.m. up to the date of the Meeting except holidays.
- (11) 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.
- (12) 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.
- (13) 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.
- (14) As communicated earlier, members holding shares in physical form are requested to get them dematerialized, as the shares of the Company are under compulsory demat system.
- (15) 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.
- (16) As a part of 'Green Initiative in Corporate Governance' Ministry of Corporate Affairs (MCA) is allowing companies to send various official documents to their Shareholders electronically. Hence your company, going forward, proposes to send all documents like Notice calling the Annual General Meeting, Corporate Governance Report, Directors' Report, Audited Financial Statements, Auditors' Report etc. and other communication to the members in electronic form at the email address provided by the members and made available to us by the Depository / Registrar & Share Transfer Agents (RTA). It is encouraged that members support this green initiative and update their email address registered with RTA / Depository to ensure that all communication sent by the company are received on the desired email address. Please let us know in case you wish to receive the above documents in paper mode.
- (17) Members / Proxies are requested to bring their copies of the Annual Report for the meeting.
- (18) Members / Proxies should bring the enclosed Attendance Slip duly filled in, for attending the Meeting.
- (19) Members who have not registered their e-mail addresses so far are requested to register their e-mail address for receiving all communication including Annual Report, Notices, Circulars, etc. from the Company electronically.

EXPLANATORY STATEMENT

(Pursuant to Section 102(1) of the Companies Act, 2013)

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.

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

Hyderabad
22 February 2014

GP Srinath
Company Secretary

ADDITIONAL INFORMATION ON DIRECTORS SEEKING APPOINTMENT / RE-APPOINTMENT AT THE 14TH 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	R Janardhana Reddy	G V Kumar
Date of Birth	31 May 1951	31 July 1966
Date of Appointment	31 January 2009	1 September 2004
Qualification	Fellow Member of the Institute of Chartered Accountants of India	Electrical Engineer with Post Graduate degree in Management
Experience in Specific-functional area	Over three decades with Indian Overseas Bank and was Head of the Accounts Department of the Bank for about 5 years	Founder & CEO of XIUS India Limited (which was merged with the company) and has over 24 years of experience in IT & Telecom industries
List of companies in which directorship held in other companies	Nil	Nil
Chairman / Members of the Committee of the Board of companies in which he is Director	Chairman of Audit Committee of the company Member of Remuneration / Compensation Committee of the company Member of Share Transfer / Investors' Grievance Committee of the company	Nil
Shareholding in the company (equity shares of ₹ 10 each)	400	2,226,911

Directorship in foreign companies, membership in governing councils, chambers and other bodies, Partnership in firms. etc., are not included. Membership in non-mandatory Committees are also not included.

None of the aforesaid Director is related to each other or to any other Director on the Board of the Company.



MEGASOFT LIMITED
CIN : L72200TN1999PLC042730

Registered Office : 85, Kutchery Road, Mylapore, Chennai 600004
www.megasoft.com

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 **14th ANNUAL GENERAL MEETING** of the Company to be held at Narada Gana Sabha (Mini Hall), 314, TTK Road, Alwarpet, Chennai 600018 at 10.00 a.m. on Wednesday, the 25th day of June 2014 and at any adjournment(s) thereof.

Signed this day of June 2014

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 LIMITED
CIN : L72200TN1999PLC042730

Registered Office : 85, Kutchery Road, Mylapore, Chennai 600004
www.megasoft.com

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 **14th ANNUAL GENERAL MEETING** of the Company at Narada Gana Sabha (Mini Hall), 314, TTK Road, Alwarpet, Chennai - 600 018 at 10.00 a.m. on Wednesday, the 25th day of June 2014.

.....
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 : contact@megasoft.com

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

UNITED STATES

Megasoft Limited

42467 Hundonmoore DR
Chantilly
VA 20152, USA

XIUS Holding Corp

15 Tyngsboro Road
Unit 8C, North Chelmsford
MA 01863, USA
Phone: +1 781-904-5000
Fax: +1 781-904-5601

XIUS Corp

15 Tyngsboro Road
Unit 8C, North Chelmsford
MA 01863, USA
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

Disclaimer

In this annual report, we have disclosed forward-looking information to enable investors to comprehend our prospects and take informed investment decisions. This report and other statements – written and oral – that we periodically make contain forward-looking statements that set out anticipated results based on the management's plans and assumptions. We have tried wherever possible to identify such statements by using words such as 'anticipates', 'estimates', 'expects', 'projects', 'intends', 'plans', 'believes' and words of similar substance in connection with any discussion of future performance.

We cannot guarantee that these forward-looking statements will be realised, although we believe we have been prudent in our assumptions. The achievement of results is subject to risks, uncertainties and even inaccurate assumptions. Should known or unknown risks or uncertainties materialise, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected.

We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.



Registered office: Megasoft Limited, No. 85 Kutcheri Road, Mylapore, Chennai 600004



CIN : L72200TN1999PLC042730

Registered Office : 85, Kutchery Road, Mylapore, Chennai 600004
www.megasoft.com

ADDENDUM TO THE NOTICE DATED 22ND FEBRUARY 2014 TO THE ANNUAL GENERAL MEETING TO BE HELD ON 25TH JUNE 2014

Pursuant to the provisions of Section 108 of the Companies Act, 2013 read with the Companies (Management and Administration) Rules, 2014, the Company is pleased to offer e-voting facility to the members to cast their votes electronically as an alternative to participation at the Annual General Meeting to be held on Wednesday 25th June, 2014 at 10.00 a.m. The Company has engaged the services of Central Depository Services Limited to provide e-voting facilities. The e-voting facility is available at the link www.evotingindia.com

The instructions for members for voting electronically are as under:

Our EVSN No. : 140528001

(A) In case of members receiving e-mail:

- i) If you are holding shares in Demat form and had logged on to www.evotingindia.com and casted your vote earlier for EVSN of any Company, then your existing login id and password are to be used.
- ii) Log on to the e-voting website www.evotingindia.com
- iii) Click on "Shareholders" tab to cast your votes.
- iv) Now, select the Electronic Voting Sequence Number - "EVSN" along with "COMPANY NAME" from the drop down menu and click on "SUBMIT"
- v) Now, fill up the following details in the appropriate boxes:

	For Members holding shares in Demat Form	For Members holding shares in Physical Form
User ID	For NSDL: 8 Character DP ID followed by 8 Digits Client ID For CDSL: 16 digits beneficiary ID	Folio Number registered with the Company
PAN*	Enter your 10 digit alpha-numeric *PAN issued by Income Tax Department when prompted by the system while e-voting (applicable for both demat shareholders as well as physical shareholders)	
DOB#	Enter the Date of Birth as recorded in your demat account or in the company records for the said demat account or folio.	
Dividend Bank Details#	Enter the Dividend Bank Details as recorded in your demat account or in the company records for the said demat account or folio.	

* Members who have not updated their PAN with the Company/Depository Participant are requested to use the default number: 'ABCDE12345' in the PAN field.

Please enter any one of the details in order to login.

- vi After entering these details appropriately, click on "SUBMIT" tab.
 - vii) Members holding shares in physical form will then reach directly to the voting screen. However, members holding shares in demat form will now reach 'Password Change' menu wherein they are required to mandatorily change their login password in the new password field. The new password has to be minimum eight characters consisting of at least one upper case (A-Z), one lower case (a-z), one numeric value (0-9) and a special character(@ # \$ % & *). Kindly note that this password is to be used by the demat holders for voting for resolutions of any other company on which they are eligible to vote, provided that company opts for e-voting through CDSL platform. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential. Kindly note that this changed password is to be used by the Demat holders for voting for resolutions for the Company or any other Company on which they are eligible to vote, provided that Company opts for e-voting through CDSL platform.
 - viii) Click on the relevant EVSN on which you choose to vote.
 - ix) On the voting page, you will see Resolution Description and against the same the option "YES/NO" for voting. Select the option YES or NO as desired The option YES implies that you assent to the Resolution and option NO implies that you dissent to the Resolution.
 - x) Click on the "Resolutions File Link" if you wish to view the entire Resolutions.
 - xi) After selecting the resolution you have decided to vote on, click on "SUBMIT". A confirmation box will be displayed. If you wish to confirm your vote, click on "OK", else to change your vote, click on "CANCEL" and accordingly modify your vote.
 - xii) Once you "CONFIRM" your vote on the resolution, you will not be allowed to modify your vote.
- (B) In case of members receiving the physical copy of Notice of AGM [for members whose e-mail IDs are not registered with the company/ depository participant(s) or requesting physical copy]:
Please follow all steps from sl. no. (ii) to sl. no. (xii) above, to cast vote.
- (C) Institutional shareholders (i.e. other than individuals, HUF, NRI etc.) are required to log on to <https://www.evotingindia.co.in> and register themselves, link their account which they wish to vote on and then cast their vote. They should upload a scanned copy of the Board Resolution in PDF format in the system for the scrutinizer to verify the vote.
- (D) The e-voting period begins on 18th June 2014 at 9.00 a.m. and ends on 20th June 2014 at 6.00 p.m. During this period shareholders' of the Company, holding shares either in physical form or in dematerialized form, as on the cut-off date (record date) of 23rd May 2014, may cast their vote electronically. The e-voting module shall be disabled by CDSL for voting thereafter. Once the vote on a resolution is cast by the shareholder, the shareholder shall not be allowed to change it subsequently.
- (E) In case you have any queries or issues regarding e-voting, you may refer the Frequently Asked Questions ("FAQs") and e-voting manual available at www.evotingindia.com under help section or write an email to helpdesk.evoting@cdslindia.com.

By order of the Board of Directors
For Megasoft Limited

Hyderabad
13 May 2014

GP Srinath
Company Secretary



MEGASOFT LIMITED

CIN : L72200TN1999PLC042730

Registered Office : 85, Kutchery Road, Mylapore, Chennai 600004
www.megasoft.com

PROXY FORM

[Pursuant to section 105(6) of the Companies Act, 2013 and rule 19(3) of the Companies (Management and Administration) Rules, 2014]

Name of the Member(s) :		e-mail id :	
Registered Address :		Folio No/*Client id :	
		*DP id :	

I/We, being the member(s) of _____ shares of Megasoft Limited, hereby appoint:

_____ of _____ having e-mail id _____ or failing him

_____ of _____ having e-mail id _____ or failing him

_____ of _____ having e-mail id _____ or failing him

and whose signature(s) are appended below as my/our proxy to attend and vote (on a poll) for me/us and on my/our behalf at the 14th Annual General Meeting of the Company, to be held on Wednesday, June 25, 2014 at 10:00 a.m. at Narada Gana Sabha (Mini Hall), 314, TTK Road, Alwarpet, Chennai 600018 and at any adjournment thereof in respect of such resolutions as are indicated below:

** I wish my above Proxy to vote in the manner as indicated in the box below:

Resolutions	For	Against
(a) Ordinary Business		
1. Consider and adopt Audited Financial Statements, Reports of the Board of Directors and Auditors		
2. Re-appointment of Mr R Janardhana Reddy who retires by rotation		
3. Re-appointment of Mr GV Kumar who retires by rotation		
4. Appointment of Auditors and fixing their remuneration		
(b) Special Business		
5. Appointment of Branch Auditors and fixing their remuneration		

Signed this..... day of.....2014

Signature of shareholder

Affix
₹1/-
Revenue
Stamp

Signature of first proxy holder

Signature of second proxy holder

Signature of third proxy holder



MEGASOFT LIMITED

CIN : L72200TN1999PLC042730

Registered Office : 85, Kutchery Road, Mylapore, Chennai 600004
www.megasoft.com

ATTENDANCE SLIP

- Name and Address :
- Joint Holder(s) :
- E-mail ID :
- FOLIO / DP ID. / CLIENT ID. :

ELECTRONIC VOTING PARTICULARS		
EVSN [E-voting Sequence Number]	User ID	Password/PIN
140528001		



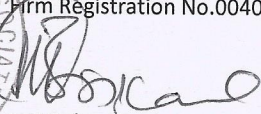
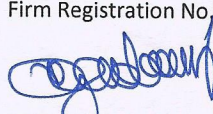
I/We hereby certify that I/We am/are registered Member/Proxy for the registered Member of the Company and hereby record my/our presence at the Annual General Meeting of the Company held on Wednesday 25th June 2014 at 10.00 a.m. at Narada Gana Sabha (Mini Hall), 314, TTK Road, Alwarpet, Chennai 600018 or at any adjournment thereof in respect of such resolutions as mentioned in the Notice.

Name of the Registered Member/Proxy (IN BLOCK LETTERS)	Signature of the Registered Member/Proxy

NOTE : Members/Proxies to Members are requested to sign and handover this slip at the entrance of the venue of the Meeting.

FORM B

Format of covering letter of the annual audit report to be filed with the Stock Exchange

1	Name of the company	Megasoft Limited	
2	Annual financial statements for the year ended	31 December 2013	
3	Type of Audit qualification	<p>Qualified Subject to/ Except for..... <u>Clause ix(a) of the Annexure to the Auditors' Report (refer page no.41 of the Annual Report 2013)</u> <i>However, in respect of provident fund, employees' state insurance, professional tax, service tax and tax deducted at source, instances of delayed remittances were noticed during the year. However, there were no dues on any of these accounts as of the Balance Sheet date.</i></p> <p><u>Clause xi of the Annexure to the Auditors' Report (refer page no. 41 of the Annual Report 2013)</u> In our opinion and according to the information and explanations given to us, <i>the Company has delayed repayment of monthly instalment amounts aggregating to Rs 220 million to a bank for a couple of months.</i> However, there were no dues to the bank as of the Balance Sheet date.</p>	
4	Frequency of qualification	<p>Whether appeared first time...../ repetitive...../ since how long period Second consecutive year i.e. financial year ended 31 December 2012 and financial year ended 31 December 2013.</p>	
5	Draw attention to relevant notes in the annual financial statements and management response to the qualification in the directors report:	<p>Directors' Report (refer page no.3 of the Annual Report 2013)</p> <p>"The auditors of your company have mentioned about the delays in remittances of statutory dues [clause ix (a)] and delays in payment of monthly loan installment amounts [clause xi] in the annexure to the Independent Auditors' Report. Your company's cash flow continued to be affected during the year due to loss of a major customer in second half of 2013, lower revenues on changing global market scenario, stretched sales realisations and loan repayments of Rs 270 million during the year. This resulted in delayed statutory payments and payment of monthly loan installment amounts. However, as on the date of the balance sheet, all dues in this regard have been settled in full."</p>	
6	Additional comments from the board/audit committee chair	<p>This may relate to nature of the qualification including materiality, agreement/disagreement on the qualification, steps taken to resolve the qualification, etc.</p> <p>"Cash flow constraints during the financial year ended 31 December 2013 resulted in delayed payments."</p>	
7	To be signed by-		
	CEO/Managing Director	GV Kumar Managing Director	
	CFO	GP Srinath, VP-Finance & Company Secretary	
	Auditor of the company	<p>for Srikanth & Shanthi Associates Chartered Accountants Firm Registration No.004006S</p> <p> MC Srikanth Partner Membership No.018588</p>	<p>for TN Rajendran & Co. Chartered Accountants Firm Registration No.005080S</p> <p> TN Rajendran Partner Membership No.028778</p>
	Audit Committee Chairman	R Janardhana Reddy	