



REALIZE YOUR IDEAS

California Software Co. Ltd.

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November 15, 2006

Dear Shareholder,

I have great pleasure in presenting to you the un-audited Financial Results of your Company and the Group (Calsoft and its subsidiaries) for the half-year ended September 30, 2006. The Group achieved revenues of Rs. 8239.96 lakhs with a net profit of Rs.132.61 lakhs while your Company achieved total revenue of Rs. 2507.65 lakhs and net profit of Rs. 394.47 lakhs. During the current half-year, there were all round improvements. Compared to the same period of the previous year consolidated revenues grew by 84%, while consolidated net profits increased by 18%. Similarly, standalone revenues were up by 78% and standalone profits moved up by 141%. The details of the results are enclosed overleaf in the Annexure.

Some of the significant developments (till date) during the current financial year are:

- Completion of acquisition of majority interest in Codex Co Ltd, Japan through our wholly owned subsidiary CSWL, Inc. Incorporated in 2003 in Tokyo, Codex focuses on providing information technology based solutions to leading Commodity Trading companies in Japan. Our acquisition is effective from September 2006 and with this we will be strengthening the Commodities Solutions SBU.
- Signing of a Letter Of Intent (LOI) in September 2006 for acquisition of majority interest in Inatech Infosolutions Pvt. Ltd, Bangalore. Inatech is a specialized Oracle solutions provider with a major focus in construction, hi-tech, manufacturing, distribution and the government sector. The company enjoys the highest level of Oracle partnership – Certified Advantage Partner in the EMEA region. This elite status allows it to service the full range of Oracle products worldwide. So far the company has largely focused on the UK market through its wholly owned subsidiary - Inatech Solutions Ltd, UK. Our acquisition is expected to be effective from November 2006 and with this we will be significantly strengthening the Enterprise Solutions SBU as well as expanding our depth in the European market.
- We have completed our Rights Issue successfully in May 2006 wherein we raised Rs. 22.74 crores (inclusive of premium) and the Rights shares were allotted and listed since June 2006. I thank all shareholders for their overwhelming support. Further, with the approval of the shareholders, the company has also raised additional funds to the extent of Rs. 9.45 crores through issue of fully convertible debentures.
- Our Bangalore office as well as our wholly owned subsidiary (Webspectrum Software Solutions) has moved into a new and exclusive building (30,000 sq ft on long lease) on October 01, 2006. At Chennai, we expanded our development space by taking an additional space of 13,000 sq ft.
- The Board of Directors of your Company while thanking Mr. Masanori Toyoshima and Mr. Junji Taniuchi for their valuable services and guidance accepted their retirement/ resignation request from the Board with effect from August 25, 2006. The Board subsequently inducted the following additional Directors on the Board of the Company from August 25, 2006, who will hold office until the next AGM.
 - Mr. Dan George Peterson, a management professional with over 40 years of work experience in the information technology industry. He is currently President and CEO at CASHNet (Informed Decisions Corporation, USA) a subsidiary of CSWL Inc. USA (Company's wholly owned subsidiary).
 - Mr. Fuminobhu Oda, a management professional with over 20 years of experience and is currently a Director of Itochu Energy Marketing Co. Ltd, Japan.

We do hope to have the benefit of your continued patronage and support. Please do visit our company web site for an update and for further news on Calsoft's activities.

Yours Sincerely,

S (Sam) Santhosh
Managing Director

Unaudited Financial Results for the Quarter and Half-year ended September 30, 2006

(All figures - Rs in lakhs except per share data - in Rs and Shareholding - nos)

Sl. No	Particulars	CONSOLIDATED					STANDALONE				
		Current Year Quarter ended 30 Sept 2006 Unaudited	Previous year Quarter ended 30 Sept 2005 Unaudited	Current Half-year ended 30 Sept 2006 Unaudited	Previous Half-year ended 30 Sept 2005 Unaudited	Previous year ended 31 Mar 2006 Audited	Current Year Quarter ended 30 Sept 2006 Unaudited	Previous year Quarter ended 30 Sept 2005 Unaudited	Current Half-year ended 30 Sept 2006 Unaudited	Previous Half-year ended 30 Sept 2005 Unaudited	Previous year ended 31 Mar 2006 Audited
1	Net Sales/Income from Operations	4597.33	2293.62	8206.85	4464.38	11496.97	1311.06	748.77	2478.57	1403.73	3758.28
2	Other Income	18.68	18.19	33.11	25.48	46.98	24.88	2.89	29.08	8.91	14.12
3	Total Income	4616.01	2311.81	8239.96	4489.86	11543.95	1335.94	751.66	2507.65	1412.64	3772.40
4	Expenditure										
	a) Purchases	490.60	310.12	887.69	502.91	1517.83	52.44	16.69	78.96	26.92	118.72
	b) Employee Cost	1647.28	1373.84	3184.20	2424.01	4647.35	575.11	479.21	1079.72	883.12	1871.90
	c) Other Expenditure	2295.55	547.54	3912.88	1226.88	4412.73	451.19	182.09	846.57	300.76	974.11
	d) Deferred Expenses written off	73.58	34.41	140.99	121.69	255.09	2.50	0.41	2.72	0.81	1.62
	Total Expenditure	4507.01	2265.91	8125.76	4275.49	10833.00	1081.24	678.40	2007.97	1211.61	2966.35
5	Interest	56.79	54.22	130.65	104.35	218.28	16.60	3.86	29.69	6.92	19.13
6	Depreciation	77.48	46.93	138.88	90.49	204.26	32.37	26.65	62.12	51.70	109.60
7	Profit/ (Loss) before Taxation, Extraordinary items & Minority Interest	(25.27)	(55.25)	(155.33)	19.53	288.41	205.73	42.75	407.87	142.41	677.32
8	Extraordinary items	0.00	0.00	0.00	0.00	0.07	0.00	0.00	0.00	0.00	0.00
9	Minority Interest adjustments for share of subsidiary Profits/ (Losses)	(99.55)	(85.63)	(303.25)	(72.72)	(201.59)	NA	NA	NA	NA	NA
10	Profit before tax	74.28	30.38	147.92	92.25	489.93	205.73	42.75	407.87	142.41	677.32
11	Provision for Taxation										
	a) Current Tax	11.20	6.79	15.31	10.47	22.19	10.00	6.20	13.40	9.48	12.70
	b) Deferred Tax		(30.64)		(30.64)	(2.71)		(30.64)		(30.64)	1.75
12	Net Profit/ (Loss)	63.08	54.23	132.61	112.41	470.45	195.73	67.19	394.47	163.57	662.87
13	Paid-up Equity Share Capital (Face Value of the Share: Rs. 10)	836.59	492.11	836.59	492.11	492.11	836.59	492.11	836.59	492.11	492.11
14	Reserves excluding revaluation reserves	NR	NR	NR	NR	2464.13	NR	NR	NR	NR	2979.00
15	Earning Per Share for the period (Rs.)										
	i) Basic	0.75	1.10	1.91	2.28	9.58	2.34	1.37	5.69	3.32	13.49
	ii) Diluted	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
16	Aggregate of non-Promoter Shareholding: (as at period end)										
	Number of Shares	5151091	4588120	5151091	4588120	3217637	5151091	4588120	5151091	4588120	3217637
	Percentage of Shareholding	61.57	93.23	61.57	93.23	65.38	61.57	93.23	61.57	93.23	65.38

Segment wise Results and Capital Employed

Sl. No	Particulars	Current Year Quarter ended 30 Sept 2006 Unaudited	Previous year Quarter ended 30 Sept 2005 Unaudited	Current Half-year ended 30 Sept 2006 Unaudited	Previous Half-year ended 30 Sept 2005 Unaudited	Previous year ended 31 Mar 2006 Audited	Current Year Quarter ended 30 Sept 2006 Unaudited	Previous year Quarter ended 30 Sept 2005 Unaudited	Current Half-year ended 30 Sept 2006 Unaudited	Previous Half-year ended 30 Sept 2005 Unaudited	Previous year ended 31 Mar 2006 Audited
1	Segment Revenue:										
	a) Commodities Solutions	263.47		607.54			198.51	100.19	465.93	345.92	889.14
	b) Enterprise Solutions	3227.34		5045.79			651.59	419.23	1197.44	619.80	1776.57
	c) Technology Solutions	1106.52	NR	2553.51	NR	NR	460.96	229.35	815.21	438.01	1092.56
	Total	4597.33		8206.84			1311.06	748.77	2478.58	1403.73	3758.27
	Less : Inter segment revenue	0.00		0.00			0.00	0.00	0.00	0.00	0.00
	Net sales/income from operations	4597.33		8206.84			1311.06	748.77	2478.58	1403.73	3758.27
2	Segment Result:										
	(Profit (+) / (Loss) before tax and interest from each segment)										
	a) Commodities Solutions	76.99		221.78			54.14	(37.09)	125.01	66.48	318.69
	b) Enterprise Solutions	(117.11)		(397.63)			88.50	64.71	192.10	30.16	237.58
	c) Technology Solutions	52.96	NR	118.06	NR	NR	54.81	16.10	91.37	43.78	126.06
	Total	12.84		(57.79)			197.45	43.72	408.48	140.42	682.33
	Less: (i) Interest	56.79		130.65			16.60	3.86	29.69	6.92	19.13
	(ii) Other un-allocable expenditure, net of un-allocable income	(18.68)		(33.11)			(24.88)	(2.89)	(29.08)	(8.91)	(14.12)
	Profit/ (Loss) Before Taxation, Minority Interest	(25.27)		(155.33)			205.73	42.75	407.87	142.41	677.32
3	Capital Employed:										
	a) Commodities Solutions						373.96	415.55	373.96	415.55	581.27
	b) Enterprise Solutions		NR		NR	NR	1488.77	831.10	1488.77	831.10	1162.52
	c) Technology Solutions						846.69	565.42	846.69	565.42	790.90
	Unallocated						3382.34	1424.38	3382.34	1424.38	1234.93
	Total Capital Employed						6091.76	3236.45	6091.76	3236.45	3769.62

NA = not applicable NR = Not reported Amounts in brackets indicate negative figures

Notes:

- The above results were approved by the Board of Directors at their meeting held on October 30, 2006 and have been subject to a limited review by Statutory Auditors before approval by the Board.
- Consolidated results of the quarter include unaudited results of the Company and its subsidiaries.
- Comparative figures are not shown in the segmental reports on the consolidated results for the previous year as this is the first year that the company is compiling and reporting segmental consolidated results on quarterly basis.
- Since the segment wise capital employed figures are not allocated by the subsidiaries, consolidated segment wise capital employed is not reported.
- During the quarter, the Company's wholly owned subsidiary CSWL Inc. USA acquired majority interest in Codex Co Ltd, Japan
- Current year - Tax Provision for 2nd quarter & Half-year includes Fringe Benefit Tax Provision.
- During the quarter, the Company received ten complaints from the investors, which have been redressed and the opening balance and closing balance of investors complaints is NIL.
- Previous year's figures have been re-grouped or re-arranged wherever necessary, to conform to current year's classification.

For and on Behalf of the Board